United States Court of Appeals

for the Second Circuit

APPENDIX

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In the

UNITED STATES COURT OF APPEALS
For the Second Circuit

NATIONAL ASSOCIATION OF INDEPENDENT TELEVISION PRODUCERS AND DISTRIBUTORS (No. 75-4021); WARNER BROS. INC., COLUMBIA PICTURES INDUSTRIES, INC., MGM TELEVISION, UNITED ARTISTS CORPORATION, MCA, INC. and TWENTIETH CENTURY FOX (No. 75-4024); SANDY FRANK PROGRAM SALES, INC. (No. 75-4025); WESTINGHOUSE BROADCASTING COMPANY, INC. (No. 75-4026),

Petitioners,

-against-

FEDERAL COMMUNICATIONS COMMISSION and the UNITED STATES OF AMERICA,

Respondents,

NATIONAL BROADCASTING COMPANY, INC., et al.,

Intervenors.

APPENDIX OF WARNER BROS. INC., COLUMBIA PICTURES INC., MGM TELEVISION, UNITED ARTISTS CORPORATION, MCA INC., TWENTIETH CENTURY-FOX TELEVISION, NATIONAL COMMITTEE OF INDEPENDENT TELEVISION PRODUCERS and LORIMAR PRODS.

VOLUME II

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APPENDIX OF WARNER BROS. INC.,
COLUMBIA PICTURES INC., MGM TELEVISION,
UNITED ARTISTS CORPORATION,MCA INC., TWENTIETH
CENTURY-FOX TELEVISION, NATIONAL COMMITTEE OF
INDEPENDENT TELEVISION PRODUCERS and LORIMAR PRODS.

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* These materials, while not in the official record, may be helpful to the Court. The Daily Variety and Broadcasting articles and the Coleman and Company Report are referred to in the Commission's January 17, 1975 Report and Order (¶23 & n. 22; p. C-11 n. 7). The 1975 Tucker Anthony Report is the most recent version of the Tucker Anthony Report referred to in the Commission's Report (p. C-11 n. 7).

FINAL REPORT

THE ECONOMIC CONSEQUENCES OF THE FEDERAL COMMUNICATIONS COMMISSION'S PRIME-TIME ACCESS RULE ON THE BROADCASTING AND PROGRAM PRODUCTION INDUSTRIES

By Alan Pearce,
Communications Economist,
Office of the Chairman,
Federal Communications Commission

September, 1973

This report was prepared for consideration in the proceeding on television prime-time access. Any views or conclusions in the report are those of the author, and do not, in any way, represent those of the Commission that may be reached in the inquiry.

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SECTION I: AN OVERVIEW

INTRODUCTION:

The purpose of this paper is to examine the economic consequences of the Federal Communications Commission's Prime-Time Access Rule[1] on:

1. The Television Networks;
2. The Network Affiliates;
3. The Independent Television Stations;
4. The Independent Hollywood movie and television programming industry; and
5. The Film and Tape Syndication Business.

The Commission's prime-time access rule became effective in October, 1971, and its purpose was as follows:

A. To lessen the control the three networks have over the airwaves during prime-time television viewing--7:00 p.m. to 11 p.m. Eastern Standard Time.

B. To require network divestiture of syndication and financial interests in independent television program production. This section of the rule is not in dispute, and is not the subject of further FCC investigation.

C. To diversify program ownership, i.e., allow competing production companies to enter the market place with prime-time television programs.

FINDINGS:

Study of the rule has resulted in the following findings:

1. Overall network power has been strengthened, not weakened, by the prime-time access rule. Network originated programming has become

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[1] Prime-time refers to those television viewing hours between 7 and 11 p.m. Eastern Standard Time--the hours when most people are watching television.

scarce, resulting in greater advertiser demand for commercial minutes within prime-time programming, and ratings are generally better for such programs. It has, in addition, strengthened the network's bargaining position with program producers, who are now required to compete for fewer prime-time network hours.

2. Although the networks have divested themselves of their syndication arms, two of the networks, ABC and CBS, are still involved in producing their own prime-time programming and made-for-television movies. Both have discontinued production of theatrical movies, also ultimately destined for television. This practice, say Hollywood competitors, puts ABC and CBS at a competitive advantage over other production houses. The prime-time access rule has, therefore, exacerbated this potentially dangerous monopolistic situation, wherein the networks both produce and distribute entertainment programs.

3. The rule, by limiting the number of network supplied entertainment hours to three (3) per night, has relieved the networks of making difficult programming decisions for what has been, traditionally, the most difficult programming slot, i.e., 7:30 to 8:00 p.m. Homes using television (HUTS) are on the increase until 8 p.m. and then plateau. The ABC-TV Network has, therefore, endorsed the rule partly because the rule has allowed ABC to concentrate its programming effort into a shorter time period. Partly as a consequence of the prime-time access rule, the ABC network has strengthened its competitive position with regard to the other two networks and has become profitable. The other

two networks, CBS and NBC, which still philosophically oppose the rule, are, in fact, making more money as networks from the rule. CBS remains the strongest network critic of the rule, maintaining that it will not achieve diversified program sources, or popular network-calibre programs. CBS wants the rule rescinded effective October, 1975.

4. The decrease in prime-time programming hours has tended to force advertising prices upward, resulting in an overall better bottom line, or profit, figure. An improved broadcast economy, however, has also contributed to increased profits.

5. The five owned and operated stations that belong to each of the three networks are in a potentially better financial position as a result of the prime-time access rule, even though they face fierce competition, in some markets, from independent commercial stations. Because of the firmer broadcast economomy, affiliated stations in large metropolitan markets have little difficulty selling the extra available commercial time that the rule provides. Once again, the profit figures are healthier, partly as a result of the rule, partly as a result of an improved economy. Moreover, it is important to note that a program stands little chance of being successful in syndication unless the networks' five owned and operated stations buy it. The networks and their owned and operated stations, therefore, have a great deal of financial power over those programmers producing

for the prime-time access periods, and thus over the total choice of programming available for access time on other stations. In effect, therefore, inexpensive programs with ratings track records have been dominant, and most of them are easily replicated old network series.

6. Most stations in the top-50 markets, those subject to the rule, presently favor it because it enables them to make greater profits. They prefer to sell up to five minutes of commercials, plus adjacencies, for inexpensive syndicated programs. Prior to the rule, affiliates received network compensation. (Networks usually sell three commercial minutes in a half-hour program and allow affiliates to sell adjacencies, or station breaks, locally.)

7. Stations in smaller markets, those allowed to program off-network re-runs, generally have mixed feelings about the rule. If they can make money from the rule, they endorse it; if the local economy is soft and local advertising is in short supply, they tend to oppose it. Generally speaking, however, they too are making more money from the rule.

8. Independent stations, both VHF and UHF, want to retain the rule because it has strengthened their competitive position vis-a-vis their competitors with network affiliations. Although roughly the same number of sets are tuned-in to television between 7:30 and 8:00 p.m., a larger share of those sets are tuned-in to independents at that time period, which offer off-network reruns, providing subsequent financial gains to the independents. There is some threat, however, fr the network affiliated stations that are competing for the national spot advertising. This competition promises to take away much of the benefit to independents in the long-run.

9. Because the prime-time access rule has reduced the amount of prime-time programming produced for the networks, the price for syndicated off-network shows has increased substantially. There is now a fear expressed that the rule might result in a long-term shortage of well produced, off-network, syndicated programming, with audience appeal, that is guaranteed to generate local advertising revenue. In this respect, what the major Hollywood producers have lost in prime-time, is being made-up, in part, by the exceptionally high profits generated when their off-network programs are sold in syndication at record scarcity prices.

10. Program ownership has been diversified somewhat, although not as much as appears at first glance. Many of the independent production companies selling programs for the prime-time access periods were in daytime and prime-time production long before the prime-time access rule was passed. There has been a substantial shift, however, away from independent producers of network quality programming (larger budget dramas and comedies) to taped game shows and imported film programs. In fact, were the rule to be abolished, very few would actually cease production. Producers would move, instead, into different daytime periods, remain in prime-time if they had a successful and proven prime-time access program, or attempt to meet the growing programming demand by independent stations.

11. It is not fair to say that all small independent producers favor the prime-time access rule. Some do and some do not. Generally speaking, those independent producers making programs on video tape (usually variety and game shows), and those producers who produce abroad, strongly support the prime-time access rule because their programs sell locally with a considerable price advantage. Those independent producers who work in drama and comedy, primarily on film, prefer to produce for the higher network budgets, using network owned facilities in New York or Hollywood, or in association with one of the major Hollywood production centers. Independent production opinion on the access rule is divided, but perhaps as many as 85 percent are for repeal of the rule, and 15 percent for maintenance (almost in direct ratio to their prior network production experience).

12. The major Hollywood production houses--MCA-Universal, Warner Brothers, Columbia-Screen Gems, 20th Century Fox, Paramount, and MGM--are bitterly opposed to the rule. Although these companies want to weaken network program control, they want to accomplish this by prohibiting the networks from making their own prime-time entertainment programs--not by limiting the number of network programming hours. The prime-time access rule has resulted in a serious loss of original prime-time television programming for the major Hollywood production centers and for some of the independent

film production houses. In order to generate good profit results on prime-time network programming, the Hollywood film industry has to have a series, such as Ironside, on the network for at least three seasons if it is to be sold successfully in syndication. The loss of about four hours of prime-time programming per week for 24 to 26 weeks a year, has led to a serious loss of work opportunities in the Hollywood film industry.

13. The rule has led to more imported foreign programming in the American television market, and there is strong evidence to support the view that this trend is going to continue in the years ahead. Although the film/television production industry has never taken a protective position, and has benefited from sales of American programming abroad, two points are worth considering: (i) many foreign movie industries, and consequently television production industries, receive direct or indirect governmental support through tax incentives, subsidies, etc.; and (ii) some countries, Britain and Canada, the sources of most imported programming, have quotas on the amount of foreign produced programming allowed on television. From the preceding, one should not assume that all imported material is brought in simply because of cost advantages. Time-Life Television, working closely with the BBC in London, has imported several series with acknowledged merit, for example, America (NBC), The Six Wives of Henry VIII (CBS, PBS), Elizabeth R, and others, were shown, originally, in prime-time on either a commercial network or the public television network. These

programs, incidentally, are being re-run in prime-time access by virtue of an FCC waiver.

14. One category of regularly scheduled network produced programming--public affairs/documentary--has almost totally disappeared from the prime-time schedule between the hours of 8 and 11 p.m. as a result of the prime-time access rule, except, of course, for news specials on such topics as Watergate. In addition, network produced prime-time children's programming, and children's specials, now begin later in the evening, causing many parents to write the FCC complaining about the situation.

15. The rule has led to some increase in locally produced and originated public affairs programming, but, basically, only in a few major markets, and among those stations that have had a commitment to public affairs programming long before the rule was enacted. It is unlikely that these stations will abandon such programs, should the rule be rescinded, and it is equally unlikely that this trend toward more public affairs, or minority interest programming, will increase rapidly, largely because of the production costs of such programs and because it is almost impossible to sell them to commercial sponsors in markets other than the top-20. If, for example, a station in a city the size of New Orleans decided to put on a local public affairs program, it would cost in the region of $1,000 to $1,500 per half hour show, and these shows generally cannot be repeated because of their topical nature. One thirty minute segment of a taped game show sells for $300 in this market, which is the price

of a one minute commercial in the show. If the game show is fully sold, and it is usually quite easy to sell game shows because of their wide acceptance among the family audience viewing from 7:30 to 8:00 p.m., then gross revenues of $1,500 are generated--five one-minute commercials at $300 per minute, excluding adjacencies. The profit figure is, then, quite high. A public affairs program dealing with drugs, pollution, or crime, on the other hand, is almost impossible to sell commercially because it will not attract large numbers of viewers. An additional "disadvantage" is that this type of program is expensive and time consuming to produce. Consequently, there are considerable disincentives to produce local public affairs programs, while there are considerable incentives to buy cheap game shows with a high revenue, and a high profit, potential.

SUMMARY:

A. Rescinding the prime-time access rule would benefit the Hollywood film industry, both major and independent producers.

B. Only one of the networks, CBS, and its owned and operated stations, is publicly opposed to the rule, even though the rule has been an important factor contributing to higher network profit figures. The strength of the broadcast economy in 1972 and 1973 has been another important factor.

C. The independent licensees want to keep the rule because it has presented them with opportunities to make short-term gains in ratings, revenues, and profits. The rule might harm them long-term, however, as the supply of off-network Hollywood produced syndicated programming, on which their existence depends, begins to decrease and, because of supply and demand, to cost more.

D. Most of the network affiliated stations in the top-50 markets, and many in markets below the top-50, want to keep the rule, as does ABC. NBC, at first opposed to the rule, is now neutral.

E. The independent producers of taped programs, mostly game shows, want to continue the so-called prime-time access 'experiment,' as do the importers of foreign made television series.

POSSIBLE POLICY ALTERNATIVES:

If the main purpose of the prime-time access rule was to lessen network control of the airwaves, and since this purpose seems to have been defeated in the sense that the networks, and their five owned and operated stations, still dominate television broadcasting in America, perhaps some overall policy alternatives ought to be investigated and given further research emphasis by the FCC, and other governmental and non-governmental bodies in the future:

1. Some consideration might be given to the overall extent to which the networks allegedly dominate television broadcasting. Each network has five owned and operated stations in top markets. All three networks have owned stations in New York, Los Angeles, and Chicago--

the first, second, and third largest markets in the U.S. accounting for something like 19 percent of the total television households. ABC has its other two owned stations in the sixth and seventh largest markets, San Francisco and Detroit, respectively, which account for a further 4.7 percent of America's television households. CBS has an owned station in the fourth largest market, Philadelphia, and in the twelfth, St. Louis, which together account for another 4.8 percent of the nation's television households. NBC has its other two owned stations in the eighth and ninth markets, Cleveland, Ohio, and Washington, D.C., respectively, which together account for 3.8 percent of television households. Consequently, ABC has access to almost 24 percent of the nation's television households through its owned and operated stations; CBS also has access to almost 24 percent of total television households; while NBC has access to almost 23 percent of total television households. (National television spot revenue, however, is disproportionately higher in the O & O markets, ranging from 32 to 35 percent of the national total, but part of that is due to the fact that there are more stations, and competition is fiercer, in the larger markets. Not only are the three networks a tripoloy in the distribution of programming nationally, they also own the three most powerful groups of stations. These two factors, in addition to their program making functions, make them the most powerful instituions in American broadcasting today, and critics claim that it is that power, concentrated in a few hands, that has inherent and potential anti-trust dangers. If, after research and investigation, that is deemed to be the case, then the networks could be made to divest themselves of one or all of their owned and oper

stations. There is need for careful consideration of this possible policy alternative, however, since the networks have argued quite forcefully that the reason they are able to be innovative and experimental in their programming, and to be the major suppliers of costly national and international news, instant news specials, documentaries, and sports programming, is because of their financial strength in American broadcasting. If the networks were made to divest themselves of their owned and operated stations, their financial power would be weakened, perhaps seriously, and such programming mentioned above would, probably, suffer. In addition, economists still differ about the alleged dangers of vertical integration and the networks may be able to put forward compelling 'public interest' arguments for having the control they have.

2. The FCC could work more closely in support of the Justice Department's anti-trust suits against the three networks. The intent of these suits is to get the networks out of the entertainment program making business, i.e., programs other than news, public affairs, documentary, and sports. These suits are based on the fact that the networks produce and distribute programs and buy programs from companies that do not own any distribution facilities, yet have to compete with the networks in the sale of programming. This situation has anti-competitive dangers in the sense that the networks can, theoretically keep down the price of entertainment programming supplied by independent production houses based on the networks' assumed capacity to extend their own production should the independent suppliers prices become too high. In their defense, the networks say they need tape facilities for their news and sports programming, and, since tape

facilities were first developed by the networks as an extension of live television, they should be left untouched because they are essential to network operation. In the area of film, the networks say they need to be free to experiment with, and develop, their own sources of programming. The networks' also claim that owning facilities is different from owning programs, and they now own very few programs.

3. The FCC could investigate ways of strengthening the nation's independent VHF and UHF stations allowing them to compete more effectively with the three networks. Policy favoring development of a fourth network is handicapped by a shortage of markets within independent VHF stations--only 14 of the top-50 markets have an independent VHF station.

4. Consideration might be given to the ways and means of financing and enhancing the public television network as a viable alternative to the commercial networks.

5. The newer technologies, for example cable and pay television, could be encouraged and stimulated in an attempt to establish another competitive broadcasting system that might be able to meet the programming needs of minority audiences in a more efficient manner.

The networks' could argue that it was never the intention of the prime-time access rule to make structural changes in the broadcasting industry, and that the above policy alternatives are thus irrelevant. The rule, they say, was merely intended to take away from the networks a daily half-hour and hand it over to their affiliates. In this case,

the rule has been successful.

The remainder of this report will be devoted to a detailed analysis of the economic consequences of the prime-time access rule on the various interested parties.[1]

SECTION II: THE NETWORKS

INTRODUCTION

As we have seen, the three networks—ABC, CBS, and NBC—dominate television broadcasting in America. Seven days a week, year round, the networks offer programming during most of the day to their local affiliates in roughly 200 markets throughout the country. The networks buy or produce this programming, and sell commercial minutes within this programming, which is then aired by their local affiliates. In return, the local affiliates are paid what is known as station compensation--usually roughly a third of what they could get if they took an additional risk and programmed their own material--and they are also allowed to sell short segments of time in the network programming, known as station breaks or adjacencies, which are often very valuable because of the higher rating levels of many network shows.

All three networks usually carry fewer minutes of advertising than are allowed under the National Association of Broadcasters Code:

[1] AUTHOR'S NOTE: Much of the detailed information presented in this report was given to the author by confidential sources who prefer not to be identified in footnotes. Most of them have agreed to have their names included in the list of people interviewed--See Appendix I.

ABC Television Network

Advertising in prime-time, 8 to 11 p.m.

Half-hour program--NAB Code: 4.25
ABC Television: 4.17
Billboard--20 seconds (a billboard is an announcement of the sponsoring advertiser or advertisers, e.g., "This program is brought to you by........")

Commercials--3:00
Station break--30 to 42 seconds (this is usually used for one locally sold 30-second spot announcement, plus station identification)

Program promotion--15 seconds

One-hour program--NAB Code: 9:30
ABC Television: 7:55
Billboard--40 seconds
Commercials--6:00
Station break--1:00, but sometimes as much as 1:30
Promotion--15 seconds

Non-prime-time, daytime and weekends, excluding children's weekend programming

Half-hour program--NAB Code: 8:00
ABC Television: 7:45
Billboard--20 seconds
Commercials--6:00
Station break--1:10
Promotion--15 seconds

Non-prime-time, late night weekdays from 11:30 p.m., per 90 minute program

90 minute program--NAB Code: 24:00
ABC Television: 20:25
Billboard--20 seconds
Commercials--17:00
Station breaks--2:40 (70 seconds, 70 seconds, 30 seconds)
Promotion--25 seconds

Children's weekend programming

All three networks follow the NAB Code which states that children's programming between the hours of 7 a.m. and 2 p.m. on Saturday and Sunday shall not exceed 12 minutes of non-program material in any 60-minute period.

The other two networks, CBS and NBC, follow similar, though not identical patterns:

CBS Television Network

In prime-time, CBS has six minutes of commercials per hour, two billboards for 40 seconds, two promotions for 32 seconds, and a station break of 1:30, totalling 8 minutes and 42 seconds of non-program material. In daytime programming, the network has a total of 15 minutes and 40 seconds of non-program material broken down as follows: 12:00 of network commercials, 40 seconds for billboards, 40 seconds for promotional material, and station breaks of 2:30.

NBC Television Network

In prime-time, NBC has six minutes of commercials per hour, and seven minutes per hour in two-hour movies, with station breaks of from 30 to 60 seconds. In the 30-minute news program at 6:30 p.m. or 7 p.m. there are five minutes of network sold commercials, with one station break of 70 seconds. In daytime television, NBC offers six minutes of network commercials per half hour with a 70 second station break every half hour. There are, of course, the usual billboards and program promotions.

The chart on the following page has been prepared to help explain the relationships between the television networks and their affiliates, including the networks' owned and operated stations:

THE TELEVISION BROADCASTING INDUSTRY

				Independents in O & O Markets		
Parent Company	American Broadcasting Companies (includes United Paramount Theatres)	Columbia Broadcasting System	Radio Corporation of America (RCA)			
Subsidiary			National Broadcasting Company			
Network	ABC Television Network	CBS Television Network	NBC Television Network			
O & O's (by market size--5 VHF)				VHF	UHF	
1. New York	WABC-TV	WCBS-TV	WNBC-TV	3	2	(New York)
2. Los Angeles	KABC-TV	KNXT-TV	KNBC-TV	4	2	(Los Angeles)
3. Chicago	WLS-TV	WBBM-TV	WMAQ-TV	1	3	(Chicago)
4. Philadelphia		WCAU-TV		–	3	(Philadelphia)
6. San Francisco	KGO-TV			1	3	(San Francisco)
7. Detroit	WXYZ-TV			–	2	(Detroit)
8. Cleveland			WKYC-TV	–	1	(Cleveland)
9. Washington, D.C.			WRC-TV	1	1	(Washington, D.C.)
12. St. Louis		KMOX-TV		1	1	(St. Louis)
Number of Affiliates	177 primary 101 secondary*	192 primary 3 also available	217	Total Number of Commercial Independents		
				34-VHF	58-UHF	

184

* A secondary affiliate carries less programming than a primary affiliate and might also have an affiliation with another network. Consequently, there is double counting of affiliates. There are roughly 550 affiliates, and just over 90 independent television stations.

Compiled by: Alan Pearce using FCC data.

Over 78 percent of the television stations in the top-50 markets of the U.S., which account for roughly 70 percent of the viewing population, are multiple-owned and/or newspaper owned. No owning company, however, may operate more than seven stations, and no more than five can be VHF's. Many of the big broadcasting companies have their maximum of five VHF outlets in major markets, but none approaches the power of the networks and their owned and operated stations.

The major broadcasting companies, after the networks, are as follows, with the market number and network affiliation in parentheses:

Group W (Westinghouse), with stations in Philadelphia (4) (NBC), Boston (5) (NBC), San Francisco (6) (CBS), Pittsburgh (10) (CBS), and Baltimore (19) (ABC).

Metromedia, with stations in New York (1) (Independent VHF), Los Angeles (2) (Independent VHF), Washington, D.C. (9) (Independent VHF), Minneapolis (13) (Independent VHF), Kansas City (22) (ABC), and Cincinnati (23) (Independent UHF).

RKO, with stations in New York (1) (Independent VHF), Los Angeles (2) (Independent VHF), Boston (5) (CBS), Memphis (31)(ABC).

Dunn and Bradstreet (Corinthian), with stationsin Houston (14), Indianapolis (17), Sacramento (27), Tulsa (53), and Fort Wayne (103), all CBS affiliates.

The Hearst Corporation, with stations in Pittsburgh (10) (ABC), Baltimore (19) (NBC), and Milwaukee (25) (CBS).

Storer, with stations in Boston (5) (Independent UHF), Detroit (7) (CBS), Cleveland (8) (CBS), Atlanta (16)(CBS), and Toledo (57) (NBC).

Scripps-Howard, with stations in Cleveland (8) (ABC), Cincinnati (23) (CBS), Memphis (31) (NBC), Tulsa (53) (NBC), and West Palm Beach (90) (NBC).

Newhouse Broadcasting, with stations in St. Louis (12) (ABC), Portland (26) (CBS), Birmingham (47) (NBC), and Syracuse (58) (NBC).

McGraw-Hill, with stations in Indianapolis (17) (NBC), Denver (29) (CBS), San Diego (34) (NBC), and Bakersfield (416) (ABC).

Cox Broadcasting, with stations in Oakland/San Francisco (6) (Independent VHF), Pittsburgh (10) (NBC), Atlanta (16) (NBC), Charlotte (32) (NBC), Dayton (40)(CBS).

Capital Cities, with stations in Philadelphia (4) (ABC), Houston (14) (ABC), Hartford/New Haven (21) (ABC), Buffalo (24) (ABC), and Fresno (75) (CBS).

AVCO Corporation, with stations in Indianapolis (17) (ABC), Cincinnati (23) (NBC), Columbus (33) (NBC), Dayton (40) (NBC), and San Antonio (50) (NBC).

Taft Broadcasting, with stations in Kansas City (22) (NBC), Cincinnati (23) (ABC), Buffalo (24) (NBC), Columbus (33) (ABC), and Birmingham (47) (ABC).

The Washington Post/Newsweek Group, with stations in Washington, D.C. (9) (CBS), Miami (18) (ABC), Jacksonville (68) (CBS), and the purchase of one station pending FCC approval in Hartford/New Haven (21) (CBS).

WGN, with stations in Chicago (2) (Independent VHF), Denver (29) (Independent VHF), and Duluth, Minnesota (108) (CBS).

The television networks were organized to do two things: (i) to purchase or produce programs of higher technical quality and greater expense (e.g., national news, sports, drama, comedy, and variety shows) which, in turn, are transmitted to affiliates, including O and O's, and (ii) to sell commercial positions within these programs to national sponsors.

In 20 years, network programming time has expanded from five to 13 hours a day (or more on weekends), and about 70 percent of CBS and NBC affiliate programming is network supplied. ABC currently supplies less programming to its affiliates, taking up a little more than 50 percent of the total schedule, but the network has plans to expand programming, especially in the morning with a news format show along the lines of The Today Show on NBC, and the CBS Morning News.

Although the affiliates present some locally originated programming, mostly news and public affairs or off-network syndicated re-runs, the networks are responsible for the bulk of the daily programming. The reasons are:
(i) the networks, with their central programming, sales, promotion, service, and station distribution facilities, plus the weight of their five owned stations, have the resources that can afford the cost of the most popular entertainment shows, i.e., movies, situation comedies, and dramas, as well as very costly news, documentary, and sports programming; (ii) networking is also the most effective system of national advertising; (iii) except for a few of the largest stations,

most local affiliates have discovered that they have neither the talent nor the resources to do much local programming, other than local news.

Currently, both CBS and NBC program from 7 a.m. to 9 a.m., and from 10 a.m. to 4:30 p.m. on every weekday, with a half-hour break from 1 to 1:30 p.m. ABC has a shorter daytime program schedule of five hours, programming from 11:30 a.m. to [illegible]:30 p.m. This daytime programming is usually made up of game shows, soap operas, talk shows, and network prime-time repeats. Between 6 and 7:30 p.m. all three networks offer their affiliates half-an-hour of national and international news, with the affiliates usually airing their local news program surrounding, preceding, or following the network news. Then from 8 to 11 p.m.--prime-time--the networks again dominate the airwaves with assorted entertainment programs, plus a little news/public affairs programming and some sports. At 11 p.m. there is a break from the network allowing the affiliates to present the late news. Then, it is back to the networks again for late night entertainment shows, usually talk shows or movies, until 1 a.m. or later. On Saturdays and Sundays, the amount of network supplied programming varies, but all three networks supply Saturday morning children's programs. All three networks supply, in addition, weekend sports programming and news, as well as prime-time programs from 8 to 11 p.m., or from 7:30 to 10:30 p.m.

PROGRAM COSTS AND REVENUES

Television programming is very expensive, and the following chart outlines the approximate costs of programs. The program costs exclude network adminstrative and general operating expenses, and also exclude the line charges that the networks pay for feeding the programs to their affiliates.

THREE NETWORK TOTAL PROGRAMMING COSTS AND REVENUES, 1972

	PROGRAM COSTS*	PROGRAM REVENUES*
All News and Sports Programming**	$300 million (almost all network produced)	$400 million
Prime-time Entertainment Programming	$480 million (some network produced, but mostly Hollywood produced)	$800 million
Daytime Entertainment Programming	$105 million (some network produced, some independently produced)	$300 million
Late-night Entertainment Programming	$25 million (some network produced, some independently produced)	$58.5 million
Children's Programming, including weekend specials, American Bandstand, and Captain Kangaroo	$25 million	$80 million
	TOTAL: $935 million	

* The figures have been rounded, and the data derived from reports by the Federal Communications Commission (financial data) and Broadcast Advertisers Reports.

** News and sports programming was especially expensive in 1972 because of the General Election and the Olympic Games.

There are, of course, two important deductions that have to be made from the above gross revenue figures; advertising agency commission and station compensation. Together these two deductions amount to about 30 percent of the gross revenues which, after deductions, net out to roughly $1.27 billion. It should be noted that different investments in different programming results in widely different revenue figures. News and sports programming, for example, generate very little revenue above program costs, and, after station compensation and advertising agency commission, it is easy to see why the networks say that, generally speaking, these particular program offerings are unprofitable. Although

prime-time entertainment generates $800 million in gross revenue, station compensation for prime-time programming is greater than it is for other types of programming. The prime-time programming schedule receives, in addition, a greater amount of administrative attention and expense, causing little overall profit. The other types of programming, however, are all highly profitable, particularly children's programming, in the case of ABC and CBS, and daytime programming for all three networks.

Programming costs the networks roughly $935 million a year, with perhaps another $225 million in other costs, e.g., administration and general operating costs, plus line costs. (Line costs amount to $60 million a year for the three networks.) Consequently, the three networks were left with total pretax profit of almost $111 million, according to the FCC's report on network revenues for 1972. The three network pretax profit figure for 1972 was more than double that in 1971--in fact, it showed a 106.0 percent increase, but 1971 was a bad year for all three networks (see following page). There were four main reasons contributing to this increase in prof: 1. an upsurge in general economic activity; 2. an increase in revenues due to political advertising during an election year; 3. recovery from the cigarette advertising ban placed on the broadcasting industry in January, 1971; and 4. the prime-time access rule.

Using the FCC's TV Broadcast Financial Data, we can trace the profits of the networks and their owned and operated stations over the last seven years:

1966: Total pretax profits $187 million; the networks taken together made pretax profits of $79 million, and the owned and operated stations made pretax profits of $108 million.

1967: Total pretax profits $163 million; $56 million to the networks, and $107 million to the owned and operated stations.

1968: Total pretax profits $179 million; $56.4 million to the networks, and $122.4 million for the owned and operated stations.

1969: Total pretax profits up to an all-time record of $226 million; $93 million to the networks, and $133 million for the owned and operated stations.

1970: Total pretax profits down to $167.4 million; $50.1 million for the networks, and $117.3 million to the owned and operated stations. (This was the last full year before prime-time access and the cigarette advertising ban).

1971: Total pretax profits down to $144.9 million; $53.7 million for the networks, and $91.2 million to the owned and operated stations. (Last quarter of the year subject to prime-time access).

1972: Total pretax profits up to $213.4 million--the second highest in broadcasting history; $110.9 million for the networks--an all-time record, and $102.5 million for the owned and operated stations. (First full year of prime-time access).

NB: Critics of the financial power of broadcasters often overlook the fact that the ABC Television Network had been losing money quite heavily since 1963. In the nine preceeding years, ending December 31, 1971, ABC lost about $113 million on its television network--money that the company could ill afford to lose without the profitability of its five owned and operated television stations. During this time, however, the CBS and NBC television networks made profits of between $25 million and $50 million every year, totalling $676M, and the owned and operated television stations have always been highly profitable. The radio divisions attached to ABC, CBS, and NBC have had uneven results financially in the last few years. The networks claim that they need a fairly high return on their capital if they are to be adventurous or experimental in their programming.

It is impossible, of course, to say with any precision how much the upsurge in network profits was due to the prime-time access rule, but it is possible to say that for years before the implementation of the prime-time access rule the ABC Television Network was losing money, and some of these years marked new highs in America's economic growth. Since the prime-time access rule, the ABC Television Network has moved into a profit position. The network made a substantial profit in 1972, and it looks as though it is going to remain profitable. Because of this profit, the ABC network news and public affairs budget has been increased from $24.6 M in 1970, to $32.6 M in 1973. Even so, the network loses approximately $15 million a year on this type of programming. Although the ABC Television Network has become profitable since prime-time access, this is not to say that there is a direct cause-effect relationship here because there are other contributing factors. There is, however, some basis to believe that the prime-time access rule has been of significant financial help to ABC, which helps explain why that network, originally philosophically opposed to the rule, is now one of its most ardent supporters. ABC, however, has demonstrated that it has never needed the rule to reduce its hours of operation and overhead. Ultimately, it decided to offer fewer hours of programming than the other two networks on a daily basis, and from January to September, 1971, before the introduction of prime-time access, it reduced its prime-time schedule by three hours a week--on Sunday from 7-8 p.m., on Thursday from 10:30 to 11 p.m., and on Saturday from 9:30 to 11 p.m.

NETWORK-AFFILIATE RELATIONS

Prime-time refers to those television viewing hours between 7 and 11 p.m. eastern standard time--the hours when most people are watching television. The FCC's prime-time access rule which became effective in the fall of 1971, restricted the number of hours that affiliates in the top-50 television markets could receive network supplied programming to three per night. Network supplied news programming, however, was exempted from the rule, which means that the realistic maximum amount of network supplied programming between 7 and 11 p.m. is three-and-a-half hours, although only 90 of the total weekly potential of 1050 7 to 7:30 p.m. time periods are occupied by network news. Consequently, each network affiliate in the top-50 markets was required to provide locally originated programming (not necessarily locally produced programming) for at least half-an-hour a night six nights of the week, and for one-hour on Sunday (local evening news on Sunday is either cut back or not programmed at all), when the three networks had traditionally begun programming at 7 p.m. on Sundays. This consists of a total of at least four hours a week of programming that each network affiliate had previously received from the network. Altogether, each of the three networks "lost" four hours of prime-time programming responsibility, adding up to a total of 12 hours a week of 'lost' network programming.

Theoretically, there ought to have been no need for the FCC to have passed the prime-time access rule because any network affiliate can choose to clear or not to clear any network supplied

programming that is fed down the line. In exchange for broadcasting network programs, with network sold commercials, the network agrees to pay its affiliated station a fee called station compensation. The individual affiliate, therefore, does not have to bill the sponsor, but does receive station compensation from the network. The station's risks are, therefore, reduced considerably and the rewards may be increased. The rewards depend upon the saleability of the commercial positions which fall within and follow network programs; these are known as station breaks. The affiliate decision to clear a program depends, in large part, upon whether or not the guaranteed compensation on fully sponsored programs exceeds, or falls short of, the estimated profit of a local program, or a gprogram bought in syndication but originated locally. Another very important factor in this decision is the impact the selected program has on the value of the local station breaks, within and following the program. Within this general framework, affiliates have always had the discretion to choose not to carry certain network programs on their stations. When an affiliate chooses not to clear a network program, it is known as a pre-emption, and the pre-empted programs, quite naturally, have usually been the less popular network originated programs.

PROGRAMMING DEVELOPMENTS

It was the market as it developed that determined the amount of programming that was network originated, and the amount that was affiliate originated. The market, however, has been weighted in the networks favor, since the networks are few in number, and have the most powerful groups of owned and operated stations forming the backbone of their network strength. Other networks, for example, Dumont, had difficulty in establishing themselves, either because they lacked enough owned and operated stations in key markets, or because they lacked the necessary attractiveness to draw away affiliates from competing networks, or both. There are moves currently underway to form so-called networks of independent stations, but early indications seem to show that these will always lack the financial strength and power of the existing networks. As the table on page 18 indicates, there are not enough independent stations currently operating to rival the strength of the three existing networks.

Network programming as it has evolved over the past twenty years or so, has been developed on a trial and error basis, and even today it is very difficult to forecast, with any consistent accuracy, what will make a successful television show or series. There is, however, a high correlation between money spent on production and talent, and popularity. Vast sums of money can be spent on the development of series that never get beyond the pilot

stage. Every year, the three networks spend roughly $25 million (with additional investment by the independent producers) on the development of new programs. The networks recoup some of their investment by broadcasting pilots. Programming in prime-time involves estimates of future audience levels and their demographic composition. Advertising pricing and the sales levels of such advertising are dependent upon the overall strength of the economy, the program and other costs, station clearances, and competitive counter-programming from the other networks. Although these estimates are almost exclusively based on past performances of essentially similar (some would say, identical) programs, they are necessarily subjective since they deal with an uncertain future. The risks are particularly great with a program type that has never been aired before, for example, All in the Family. Once a program becomes a proven success, it is then copied by the other networks, Sanford and Son on NBC, The Corner Bar and the animated Wait Till Your Father Gets Home, in prime-time access syndication. CBS also developed an Archie Bunker spin-off, Maude, a left-wing, rather than a right-wing, bigot.

Programming on the television networks, then, involves constant change and competitive adjustments as market and competitive conditions change. Programming suggestions are financed

and developed in several ways:

(a) from within the television network itself with the pilot financed by the network;

(b) from an outside producer, who fully finances many program outlines (costing about $2,500), of which about one-third are selected by a network for a script commitment--at this time the network obtains unilateral options to order a pilot, to order 13 to 15 or more, episodes for the first year, to order 22-24 episodes for the second year, and so on through the seventh year of broadcast. The script commitment is usually 80 percent network financed, and the total cost is about $15,000 to $25,000. One-third of the scripts are selected for a pilot--a 90 minute pilot costs roughly $500,000, 80 percent financed by the network and 20 percent deficit financed by the production company.

(c) very rarely, from an outside producer who brings a finished pilot or series to the network. (Only the bigger Hollywood producers are usually able to do this, for example, MCA-Universal, Columbia-Screen Gems, Warner Brothers, MGM, Paramount, 20th Century Fox.)

This is a highly selective process and usually very slow. For the 1973-74 season, out of hundreds of suggestions financed by independent producers, 124 pilots--70 to 80 percent financed by the networks--were made. Of these, only 17 were chosen as regular weekly series, and 13 were selected as mini-series--often unprofitable for the independent producer.

This evolutionary process in the birth of a network television program series is necessarily slow because the financial consequences of a programming error can be serious. Even film stars with a long and successful track record have bombed on television. James Stewart was signed up for a series on NBC in the 1971-72 season; he was guaranteed a fee in the region of $35,000 per program, and the series was a flop. In the same season, James Garner, Anthony Quinn, and Shirley MacLaine all had television series that flopped. In order to minimize the probability of error, several approaches have evolved which attempt to pre-test a program before a network is committed to purchase from 13 to 26 original plays: (i) pilots are shown to test audiences, including prospective buyers of advertising time, and their reactions are evaluated, (ii) pilots are aired over the networks and the ratings and critics comments are noted. Initial ratings are not always a good measure since a new program invariably fares worse than a tried and trusted older series, so often the pilot is aired twice on different days, at least once against "weak" opposition programming; (iii) 90-minute and two-hour pilots are shown as movies of the week, etc., with rating, critics, and advertiser comments noted. Part of the cost of the pilot is recouped even if the pilot does not result in a continuing series. This has become a very effective cost-cutting or cost-effective measure undertaken by the networks in recent years.

Prime-time television has changed somewhat over the years, and these trends should be pointed out:

1. There has been a shift away from the half-hour situation comedy series, and half-hour series generally.
2. Dramatic programs have become increasingly one-hour, 90 minutes, or even two hours. This is known as the "long form."
3. Fewer original programs are being ordered by the networks. Ten years ago, a typical season was 39 originals and 13 repeats. Today it is likely to be 23 originals and 23 repeats, or, at best, 26 originals and 26 repeats. When 23 originals and 23 repeats are ordered, making a total of 46 weeks of programming, the remaining weeks are often used for news or entertainment specials, including pilots.
4. A new program form, the mini-series, has evolved. These mini-series usually have fewer than 20 original programs in any one season, for example, NBC's popular Columbo series has only eight original episodes in any one season, and this mini-series rotates with other mini-series on the network.

These trends are partly the results of increasing programming costs. Network prime-time entertainment program costs rose by over 50 percent between the 1965-66 season and the 1969-70 season, and program costs are continuing to rise annually. In the period from 1965 to 1972, while program costs had increased by about 60 percent, the cost of living had risen by 33 percent. The advent of color to all programming in

the late 60's added substantially to cost of production because color film is more expensive to buy and process than black and white, and because color generally uses up more production time.

Network program pilot cost increased from around $72,000 for a half-hour in 1960, to about $250,000 for a half-hour by 1973. One hour pilots increased from just over $135,000 to about $330,000 in the same period. Average new program costs increased from $50,000 per half-hour to between $115,000 and $135,000, and more, for two-plays, while one-hour episodes have gone up from $95,000 to over $200,000 for two-plays. Fees paid by the networks to the producers of made-for-television movies and for the rights to major motion pictures once they have completed their theatre distribution tend to vary enormously. A 90-minute made-for-telvision movie costs the network around $375,000 to $425,000 for two-plays; a 2-hour made-for-television movie, or an average old motion picture that was not too successful at the box office, will cost the network from $600,000 to $800,000 for two plays. A successful major motion picture, however, like Love Story or Patton can cost much more, and the ABC Television Network reportedly paid $3 million for five plays of Love Story, and $2 million for one play of Patton.

The cost of television programming will be discussed in some detail later, in the section on the Hollywood television and movie industry.

In addition to buying programs from producers, the networks have their own facilities and make their own programs, particulary for the daytime periods. All three networks have videotape facilities,

and CBS uses its own tape facilities for all of its videotaped programs, whether the network owns the programs or not. This means that programs like All in the Family and Maude, though not owned by CBS are actually produced at CBS's tape facilities in Hollywood. Only CBS has film facilities, although, ABC continues to produce its own made-for-television movies. NBC has never owned its own film studios, although it has produced its own film series. Bonanza was produced, for example, by NBC using someone else's film production facilities. ABC and CBS have always been more heavily involved in the production of filmed shows, and CBS has large film production facilities in Hollywood.

See Appendix II for lists of the regularly scheduled network entertainment programs, both daytime and prime-time, their ownership, and whether or not network production facilities were used.

PRIME-TIME ACCESS RESULTS

Partly as a result of this so-called power of the three network system, the FCC decided to encourage localism and to attempt to open up the competitive system in the program production industry by passing the prime-time access rule. There were several immediate and quite specific results as far as the three networks were concerned:

By reducing the amount of network programming by four hours per [illegible] for each network, network originated programming became a scarcer commodity and thus its value increased.

2. Network control over the program production industry was strengthened, not weakened, by the prime-time access rule in a very important respect. The network's bargaining position with Hollywood program production houses was strengthened because the market for expensive television programming had been reduced by roughly 16 percent without any commensurate reduction in the number of production houses, especially since the vast majority of those production houses found that competing for programming slots in the prime-time access periods at the local station level was uneconomic. Many

program producers in Hollywood have written to the FCC protesting that the rule was responsible for reducing, and in some cases eliminating, their production for the three networks. One prime-time access casualty was Don Fedderson Productions, producer of My Three Sons, which was eliminated from CBS prime-time schedule during the early days of the prime-time access rule. Fedderson's other network show, Lawrence Welk, was cancelled by ABC and is currently being offered in prime-time access. Wild Kingdom, produced by Don Meier, was a program driven off the NBC TV Network, and is now sold in syndication as a prime-time access show via an FCC waiver allowing half as many original programs as were presented when it was on the network. A third major prime-time television production house, MGM, was reduced to only one show, Medical Center, after the passing of the rule, and is only just making a comeback in the 1973-74 season on prime-time television, with three new series premiering.

MGM, in fact, was the only major Hollwyood production house to attempt to break into the prime-time access period with The Young Dr. Kildare, domestically produced, bartered by Bristol-Myers, a videotape rather than a film production. MGM abandoned production of this show after only one season. Other Hollywood film producers have only gone into production with foreign made access shows.

3. The three networks were relieved of making programming decisions for what is usually one of the most difficult and marginal time periods, 7:30 to 8 p.m. The program death rate in this time period has always been high due to the fact that the audience is in a transition stage, relying heavily on children and old people, two groups lacking major advertiser appeal.

Young people and adults, aged from 18 to 49, the most desirable group of television watchers from the advertisers viewpoint, tend to view television beginning at about 8 p.m. onwards when they have finished dinner and are ready to settle down to an evening's viewing. Consequently, the prime-time access rule allowed the three networks to concentrate their programming effort into a shorter time period where the audience composition was much better so far as potential advertisers were concerned.

4. Because the number of network commercial minutes available in prime-time was reduced by the prime-time access rule, and because the demand for such minutes remained the same, or actually increased somewhat as the economy became firmer, the price for prime-time minutes rose. According to Broadcasting Magazine,[1] television network salesmen were saying that the fourth quarter of 1973 would be "the biggest fourth-quarter sales record in TV history." This is at least partly, and perhaps even significantly, due to the prime-time access rule which has firmed up prime-time commercial prices as a result of making prime-time minutes scarcer. Not only are prices per minute higher--an all-time record of $120,000 to buy a one-minute commercial in CBS's All in the Family--but sales for the 1973 are up 14 percent from the 1972 figures, which were themselves a record, and up about 15 percent in prime-time.

[1] July 16, 1973, Vol. 85, No. 3, pp 17-18.

Advertising directed toward women viewers, aged 18-34, has increased from \$8 a thousand in 1970 to \$16 a thousand in 1973. Three years ago, a one-minute spot in a football game--weekend or night-time--cost from \$45,000 to \$50,000; by the fall of '73 the price had risen to \$70,000 plus at the weekend, and \$80,000 a minute for a spot in ABC's Monday Night Football. Apparently advertisers have more money to spend than the networks have time to sell, causing the price to go up. This scarcity of advertising time was a direct result of the prime-time access rule.

In the television business, ratings and the market place determine the price the advertisers pay for the commercials within the programs. While the three television networks compete against each other for sales, approximately 400 sponsors bid against one another to purchase a virtually fixed supply of commercial minutes--and this supply was reduced by a total of 72 minutes each week for all three networks by the prime-time access rule. The method generally used by both the networks and the advertisers to arrive at a mutually agreeable price for a one-minute commercial is the cost per-thousand-homes, known as CPM. Thus if market supply and demand conditions seem to be running at \$4.00 CPM for a given prime-time program, a program that delivers 12 million homes would sell for about \$48,000 a minute. Should the audience build over time to 15

million homes, with an unchanged CPM, the price would tend to rise to about $60,000 per minute. Once a program achieved popularity and ratings superiority in its time period, however, premiums are usually demanded for buying minutes in a top rated program, and the cost per thousand rises. Because of the apparent scarcity of prime-time minutes under present market conditions, there has been an upward trend in the cost per thousand homes, particularly since advertisers are now interested in reaching certain target audiences, like women from 18 to 49, or young adults from 18 to 34.

In 1970, prior to the prime-time access rule, the costs per thousands homes of an average 30-second commercial in the networks' regular prime-time schedule in the fourth-quarter (the most expensive period of the year) has shown the following pattern:

1970	$1.98 (Pre-prime-time access)
1971	$2.09 (First year of prime-time access)
1972	$2.15 (Second year of prime-time access)
1973	$2.25 to $2.50 (Third year of prime-time access)

This shows a 13.6 percent to 26.26 percent increase in a three year period. The average prime-time minute now sells for $59,000.

5. Regularly scheduled network produced public affairs and documentary programming almost totally disappeared from the prime-time schedule as a result of the rule.

There was approximately a 30 percent reduction in regularly scheduled public affairs programming in prime-time as a direct result of the prime-time access rule. This category of programming excludes political advertising and on-the-spot special news coverage such as the President's trip to China, moonshots, etc.

ABC TV Network, in a submission to the FCC, pointed out that in the 1970-71 season, 16 1/2 hours of news, public affairs, documentary, and instructional programming were broadcast during prime-time hours out of a total of 577 hours of programming, i.e., 3.2 percent of the total was devoted to non-entertainment programming. In the first season of the prime-time access rule, 1971-72, this figure dropped to 12 1/2 hours of such programming out of a total of 520 1/2 hours, or only 2.4 percent of the total. In the second season of prime-time access, 1972-73, the figure jumped to 25 1/2 hours out of 522 hours, or 4.9 percent of the total. It should be remembered, however, that this increase includes coverage of instant news specials such as the Watergate Hearings, and some political programming during the Presidential Election period. The 1971-72 season is, perhaps, more typical since this last year has seen a number of important news events that have been given considerable coverage, some of it in prime-time. The NBC TV Network was the only network with regularly scheduled public affairs/documentary program series in prime-time --America and NBC Reports at 10 p.m. on Tuesdays during the 1972-73 season--and none of the networks have a weekly prime-time public affairs program in the 1973-74 season.

In an analysis sent to the FCC by NBC, all prime-time public affairs were covered, including documentaries and series, and instant news specials. For the September through May period, there were 52 hours and 54 minutes of prime-time public affairs programming in the 1970-71 season, falling to 47 hours and 29 minutes in the 1971-72, and rising to 51 hours and 52 minutes in the 1972-73 because of Watergate and the Presidential Election. If both ABC's and NBC's figures had excluded instant news specials, the time allocated to prime-time public affairs programming would be minimal.

6. Network prime-time children's specials begin later in the evening as a result of the prime-time access rule, causing many parents to write to the FCC complaining about the lateness of the broadcast hour for children's prime-time television specials.

In the 1969-70 season, 80 percent of all children's specials began at 7:30 p.m. By the 1971-72 season, the first prime-time access season, this percentage had dropped to 39 percent, and in the 1972-73 season it had fallen to 25 percent. In the 1970-71 season, immediately before the access rule, 9.1 percent of all CBS's prime-time children's specials began at 8 p.m. This rose to 54.0 percent in the following season, and up to 63 percent in the 1972-73 season. In addition, a number of children's special that are offered to the networks by advertisers are being turned down because of the shortage of network prime-time.

In summary, the networks have not been hurt financially at all by the prime-time access rule, nor has their power diminished. An almost immediate result of the rule was the improvement of bottom line profit figures. With the introduction of the rule in 1971, broadcasters felt that they would suffer greatly as a result of the loss of cigarette advertising. The networks, in fact, over-reacted to the cigarette advertising loss, which was quickly recouped. In any event, the loss of four hours per week of fairly marginal network prime-time programming compensated for the spare advertising capacity that the networks felt they would have as a result of the cigarette advertising loss. Although two of the networks, CBS and NBC, are still philosphically opposed to the rule, they are showing no great anxiety to see its immediate repeal--one network executive even suggested that if the rule were to be repealed it should be repealed effective September, 1975!

ABC, originally philosophically opposed to the rule, is now one of the rule's most vigorous suppc ters. As has already been mentioned, the passing of the rule coincided with a turn-around in ABC's financial fortunes as a network. As a result, the networks would probably show no great disappointment if the rule were retained; they lost some marginal programming, and gained in revenues and profits.

SECTION III: THE NETWORK AFFILIATES

INTRODUCTION

We have seen that networks exist to distribute entertainment programs to their affiliates. Each network attempts to get the maximum number of program clearances from its affiliates, since non-clearance of network programs adversely affects a network's ratings, revenues, and profits. Each network affiliate signs a contract with one of the three networks (or more in the case of small-market multiple affiliates) in which it has first refusal in broadcasting network programs (and network sold commercials) over its facilities. In exchange for broadcasting network programs, the network agrees to pay its affiliate station compensation--usually about one third of what it could get if it bought its own programming and sold its own commercials. The affiliate does not have to arrange to purchase its own programs during the times that its network is on the air; the commercials have already been sold; the local station does very little and receives station compensation from the network. Thus the station's risks are minimized, and, in addition to compensation, the network allows its affiliate to sell commercial positions within network programs preceding and following network programs; these are known as station breaks.

About 90 percent of television stations' sales involve station breaks or "time" sales. These are usually 42 second

intervals between network supplied programs. Initially these periods provided time for local stations to identify themselves by announcing their call letters and location, but additional time was made available by the networks, and this time became an affiliate's prime source of revenues. These station breaks have increased gradually over the years from 15 seconds in 1948, to 20 seconds in 1951, up to 30 seconds in 1956, and from 40 seconds to one-minute, depending on program length, beginning in 1963. The sale of these station breaks by the local affiliate are of two types--national spot sales, known as spot advertising, and local sales.

If a national sponsor wants to advertise snow tires in the northern half of the United States, spot sales allow him to do this. If he bought a one-minute announcement within a network program, approximately half of his advertising expendutre would be wasted. With regional commercials, a snow tire commercial would not be aired in the major markets of the south, where snow falls irregularly or not at all.

Local sales are sales made by the station's own salesmen to a local sponsor, for example a realtor, department or grocery store.

The programming latitude and autonomy available to the average affiliate does not apply in the case of the five network owned and operated stations. With very rare exceptions, the owned and operated stations clear all the television network programs in the network time periods, even if local conditions seem to indicate that non-clearance would improve the ratings of the owned and operated station in question. The main reason for this is that the owned and operated stations lie at the heart of network power. Any gains recorded by the owned and operated stations at the local level, would consequently be more than offset by ratings and revenue decreases for the network. In addition, when the owned and operated stations clear the network schedule unchanged, the network is then in a position to use this to persuade the rest of the affiliates to do the same thing. As a result, most affiates follow the owned and operated stations and clear almost all of the network fed programming. Generally speaking, the owned and operated stations for CBS and NBC and their affiliates, have programs during the following times from Monday through Friday:

9:00 - 10:00 a.m.	--- Entertainment
1:00 - 1:30 p.m.	--- Entertainment
4:30 - 6:00 p.m.	--- Mostly entertainment, with some news on a very few stations
6:00 - 7:00 p.m.	--- News
11:00 - 11:30 p.m.	--- News
After 1:00 a.m.	--- Movies

Weekend programming is fitted around the network children's, sports, and prime-time entertainment schedule. In general, the periods from 4:30 to 7:00 p.m., and from 11:00 to 11:30 p.m. are of primary importance to both the owned and operated, and affiliated stations ratings and revenues.

Within these time periods, CBS and NBC affiliates have to provide their own programming and sell their own commercials. ABC affiliates have slightly more local time since the ABC Television Network provides just over 50 percent of total daily programming, while CBS and NBC supply more than 70 percent. One of the first results of the prime-time access rule was to increase the amount of locally originated programming (not necessarily locally produced programming) and also the amount of advertising that was offered for sale locally.

PRIME-TIME ACCESS PROGRAMMING

The passing of the FCC's prime-time access rule, therefore, gave the affiliates much more programming responsibility in the early evening prime-time period from 7:30 to 8:00 p.m., when homes using television, a term developed by the Nielsen ratings firm, were increasing but had not yet reached their peak. On five days of the week, Monday through Friday, the prime-time access rule gave the affiliates a half-hour to program locally--previously a network responsibility. On Saturdays and Sundays, this time was, in many cases, extended to one-hour, from 7:00 to 8:00 p.m., or from 7:00 to 7:30 p.m. and from 10:30 p.m. to 11:00 p.m., since only one network, NBC, presents regularly scheduled evening news programming on both Saturday and Sunday, while CBS programs its regular half-hour news program on Saturday only, going to a late night 15-minute news format on Sunday evening. These weekend changes in the network feed to affiliatesare of vital importance to the type of prime-time access shows programmed. Generally speaking, from Monday through Friday, the affiliates have only half an hour per night to program, and that half-hour is normally from 7:30 to 8:00 p.m. As a result of the time of day and the time limitation (30 minutes), the type of programming has to be that which appeals to young viewers and older viewers alike, namely game shows and half-hour comedies. It is felt by many producers that the action-drama format does not lend itself to a 30-minute time restriction.

The weekend, on the other hand, giving some stations one full hour, means that one-hour variety programs, such as Hee Haw and Lawrence Welk, can be programmed, as well as space dramas, e.g., UFO (for Unidentified Flying Objects). The weekend also allows another programming variation because local affiliates that have the 10:30 to 11:00 p.m. time period available on Sundays are able to present some locally produced public affairs programming leading into the Sunday night 11 p.m. news programs. Not all affiliates present public affairs programming in this time period, of course, but some major market licensees, usually the top 10 or 15, have been experimenting with this time period.

Bearing this in mind, the two charts that follow show what most of the network affiliates have been doing with the prime-time access periods. The first chart is restricted to the top-50 markets, because those are the markets to which the rule applies. Networks chose not to program to the bottom 150 markets because it would not have been economical to program to only 30 percent of the television households. This means that the prime-time access rule does, in many respects, apply to all 200 markets. The only advantage that the bottom 150 markets have is that they can buy off-network television programs or series. The second chart shows the total market clearances and

the ratings for the syndicated programs. It does not show what impact local programming has had, an area to be dealt with later.

TOP 35 PRIME-TIME ACCESS PROGRAMS

BY NO. OF TOP 50 MARKETS, PROGRAM TYPE,

AND PRODUCTION CENTERS--1972-1973 SEASON

RANK	TITLE	# MARKETS	PROGRAM TYPE	PRODUCED IN
1.	HOLLYWOOD SQUARES	48	GAME	U.S.
2.	LET'S MAKE A DEAL	47	GAME	U.S.
3.	PARENT GAME	46	GAME	U.S.
4.	WILD KINGDOM	41	NATURE/WILDLIFE	U.S.
5.	THE PROTECTORS	39	ACTION/DRAMA	BRITAIN
6.	CIRCUS	37	CIRCUS VARIETY	MOSTLY ABROAD
7.	HEE HAW	35	VARIETY	U.S.
7.	NEW PRICE IS RIGHT	35	GAME	U.S.
7.	TO TELL THE TRUTH	35	GAME	U.S.
7.	UFO	35	SPACE DRAMA	BRITAIN
11.	TRUTH OR CONSEQUENCES	34	GAME	U.S.
12.	LAWRENCE WELK	33	VARIETY	U.S.
13.	YOUNG DR. KILDARE	32	HOSPITAL DRAMA	U.S.

CONT'D.

RANK	TITLE	# MARKETS	PROGRAM TYPE	PRODUCED IN
14.	WAIT TILL FATHER GETS HOME	31	ANIMATION	AUSTRALIA/US
15.	POLICE SURGEON	30	ACTION DRAMA	CANADA
16.	I'VE GOT A SECRET	24	GAME	U.S.
17.	THIS IS YOUR LIFE	23	LIFE HISTORY	U.S.
18.	WHAT'S MY LINE?	21	GAME	U.S.
19.	AMAZING WORLD OF KRESKIN	20	MAGIC/ESP	CANADA
20.	THE ADVENTURER	19	ACTION DRAMA	BRITAIN
20.	MOUSE FACTORY	19	CHILDREN'S	U.S.
22.	HALF GEORGE KIRBY HOUR	16	VARIETY	CANADA
22.	LASSIE	16	ADVENTURE DRAMA	U.S.
24.	YOU ASKED FOR IT	15	GAME	U.S.
25.	DOCTOR IN THE HOUSE	13	COMEDY	BRITAIN
26.	EXPLORERS	12	NATURE STUDIES	VARIOUS COUNTRIES
27.	JOHNNY MANN'S STANDUP & CHEER	11	VARIETY	U.S.
28.	EVIL TOUCH	10	DRAMA	AUSTRALIA
28.	GOLDDIGGERS	10	VARIETY	U.S.
30.	FAMILY CLASSICS	9	ANIMATION	AUSTRALIA

CONT'D

RANK	TITLE	# MARKETS	PROGRAM TYPE	PRODUCED IN
30.	SURVIVAL	9	NATURE/WILDLIFE	BRITAIN
32.	AUDUBON WILDLIFE THEATRE	8	NATURE/WILDLIFE	VARIOUS COUNTRIES
32.	SAFARI TO ADVENTURE	8	NATURE/WILDLIFE	VARIOUS COUNTRIES
34.	NASHVILLE SOUND	7	VARIETY	U.S.
34.	UNTAMED WORLD	7	NATURE/WILDLIFE	VARIOUS COUNTRIES

Prepared by Alan Pearce, using various sources, including Metromedia Producers Corporation, Ogilvy and Mather, TV Guide, and Viacom.

NOTE: At the Commission's oral argument on the prime-time access rule on July 30, 31, 1973, some confusion was expressed about where Golddiggers was produced. The syndicated prime-time access program is produced in Hollywood; when the show was a summer replacement on the NBC TV Network, it was produced in London.

The preceding chart shows the impact of game shows on the top-50 market. It also illustrates that, generally speaking, drama shows are usually imported from Britain or Canada, since imported shows of this type have a distinct price-advantage when placed in competition with American shows. In fact, the only American produced drama series in the above list is The Young Dr. Kildare, a barter series produced on videotape, not film, by MGM that was cancelled at the end of the 1972-73 season after only one year of production.

The following chart gives an overall picture of syndicated programming, including programs shown on independent stations not subject to the rule. The programs are ranked by popularity and clearance.

PRIME-TIME ACCESS PROGRAMS BY RATINGS

MARKETS, TOTAL NUMBER OF PRODUCTION TYPES

AND PRODUCTION CENTERS---1972-1973 SEASON

PROGRAM	RATING	MARKETS	PROGRAM TYPE	PRODUCED IN
1. LAWRENCE WELK	25	176	VARIETY	U.S. at ABC
2. HEE HAW	22	168	VARIETY	U.S.
3. LET'S MAKE A DEAL	21	123	GAME	U.S. at ABC, along with daytime strip
4. HOLLYWOOD SQUARES	20	111	GAME	U.S. at NBC along with daytime strip
5. PRICE IS RIGHT	20	79	GAME	U.S. at CBS along with daytime strip
6. WILD KINGDOM	19	172	NATURE/WILDLIFE	U.S.
7. TRUTH OR CONSEQUENCES	18	121	GAME	U.S. at Metro-media
8. TO TELL THE TRUTH	18	114	GAME	U.S. at NBC
9. UNTAMED WORLD	16	103	NATURE/WILDLIFE	VARIOUS COUNTRIES
10. WHAT'S MY LINE?	16	56	GAME	U.S. at NBC
11. YOU ASKED FOR IT	15	21	GAME	U.S.
12. WILDLIFE THEATRE	14	17	NATURE/WILDLIFE	VARIOUS COUNTRIES
13. CIRCUS*	14	66	CIRCUS VARIETY	MOSTLY FOREIGN
14. THIS IS YOUR LIFE*	14	100	LIFE HISTORY	U.S.
15. WAIT TILL YOUR FATHER GETS HOME	14	50	ANIMATION	AUSTRALIA/US

CONT'D

PROGRAM	RATING	MARKETS	PROGRAM TYPE	PRODUCED IN
16. POLICE SURGEON	14	120	ACTION DRAMA	CANADA
17. KRESKIN	14	29	MAGIC/ESP	CANADA
18. I'VE GOT A SECRET*	14	46	GAME	U.S.
19. SURVIVAL	13	50	GAME	BRITAIN
20. MOUSE FACTORY*	13	30	CHILDREN'S	U.S.
21. GEORGE KIRBY *	13	18	VARIETY	CANADA
22. SAFARI TO ADVENTURE	13	28	NATURE/WILDLIFE	VARIOUS COUNTRIES
23. PARENT GAME*	12	103	GAME	U.S. at ABC
24. ANIMAL WORLD	12	55	NATURE/WILDLIFE	VARIOUS COUNTRIES
25. UFO*	12	93	SPACE DRAMA	BRITAIN
26. STANDUP & CHEER	12	52	VARIETY	U.S.
27. GOLDDIGGERS*	11	33	VARIETY	U.S.
29. BEAT THE CLOCK	11	26	VARIETY	CANADA
30. LASSIE *	10	144	ADVENTURE	U.S.
31. DR. IN THE HOUSE	10	14	COMEDY	BRITAIN
32. YOUNG DR. KILDARE *	10	68	HOSPITAL DRAMA	U.S.
33. THRILLSEEKERS	10	18	REAL-LIFE ADVENTURE	U.S. and ABROAD

PROGRAM	RATING	MARKETS	PROGRAM TYPE	PRODUCED IN
34. EVIL TOUCH	10	17	DRAMA	AUSTRALIA
35. FAMILY CLASSICS*	10	10	ANIMATION	AUSTRALIA
36. PROTECTORS	9	85	ACTION DRAMA	BRITAIN
37. BLACK BEAUTY	9	41	DRAMA	BRITAIN
38. ADVENTURER *	9	65	ACTION DRAMA	BRITAIN
39. JONATHAN WINTERS*	7	41	VARIETY	U.S.
40. MANCINI GENERATION*	5	53	MUSIC	U.S.
41. KENNY ROGERS*	3	58	MUSIC	CANADA

* Cancelled or played out as firstrun prime access.

SOURCE: February-March, 1973, Nielsen Syndication Report reprinted in VARIETY, Wednesday, August 1, 1973.

NB: Program type and production center categories compiled by Alan Pearce, using Metromedia Producers Corporation and Viacom as sources.

The preceding chart indicates that programs such as Hee Haw and Lawrence Welk, which are not shown in some major urban markets, do well nationwide because they pick-up many stations in smaller markets and do well in the countrywide ratings. It also tends to diminish somewhat the overall impact of the game shows on prime-time access. Of the top-10 prime-time access shows, the top two are variety shows, and two others in the top-10, Wild Kingdom, and Untamed World, sixth and ninth respectively, are nature/wildlife programs. A third way of measuring the impact of prime-time access shows is to count the number of half-hours occupied in access periods. When this is done, game shows that are stripped five-days-a-week, like To Tell The Truth, Truth or Consequences, and What's My Line?, occupy a large percentage of access hours.

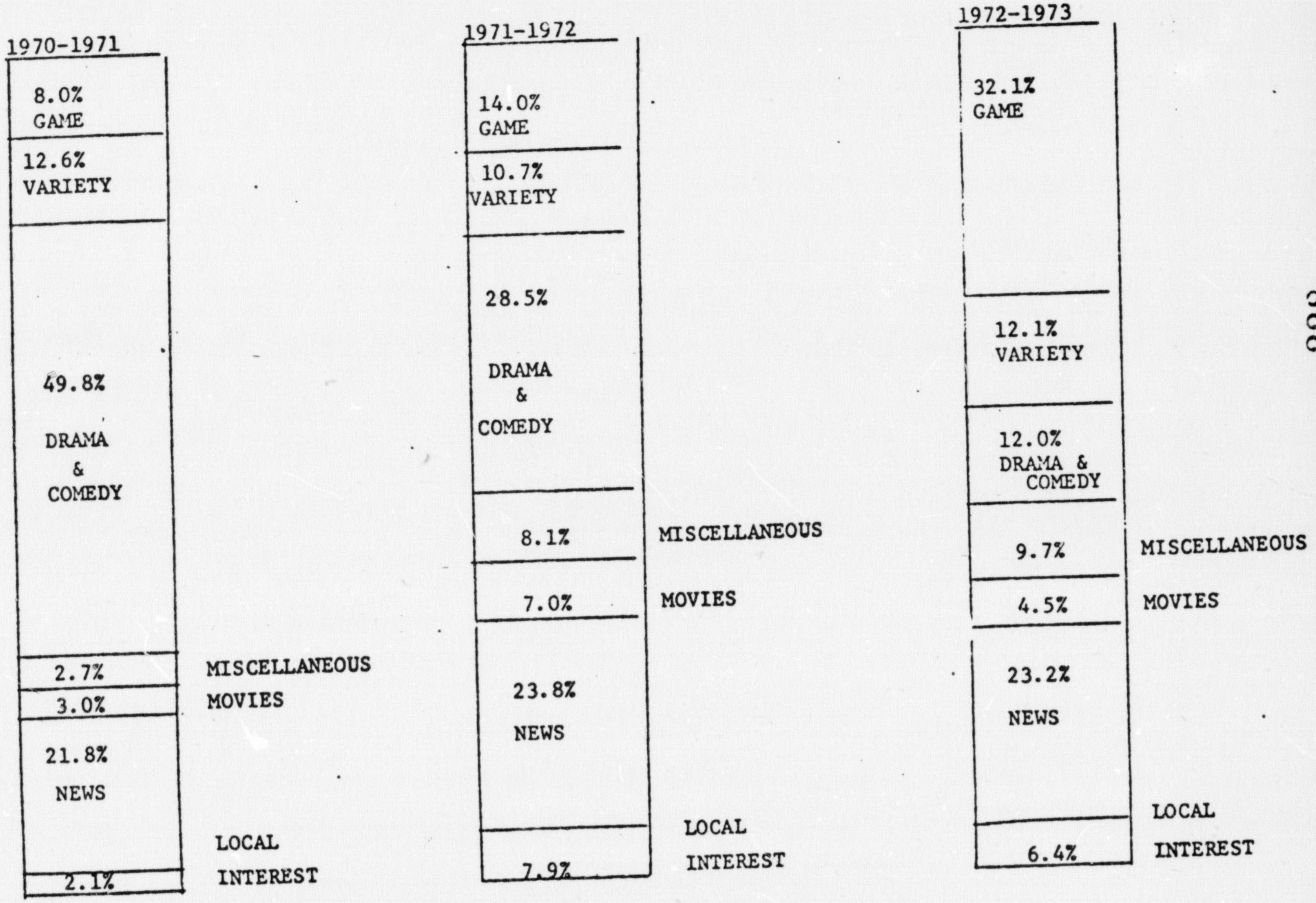
Of the top-41 prime-time access programs, ten are game shows, the biggest single program category. Of the remaining 31, seven are music/variety, six are nature/wildlife, five are drama shows of one form or another, and the rest constitute a mixture of assorted programs that include a situation comedy, animated shows, a circus, ESP, and real-life adventure series. Of the 41 shows listed by nationwide popularity, six are produced in Britain, five in Canada, two in Australia, and seven in various countries but these are usually edited in the U.S. Altogether, 12 of the top 41 programs are directly produced abroad. Despite the fact that these are the "successful" syndicated programs, the mortality rate is high--15 have already been cancelled or played out. Altogether

37 different access shows have died since the rule was introduced in the fall of 1971.

Clearly there has been some change in scheduling as a result of the prime-time access rule, and the following chart shows what has happened to the various program types since the 1970-71 season, the last season before prime-time access. The 1971-72 season was the first season of prime access, but one in which off-network syndicated shows could be broadcast. The 1972-73 season is described as the first full season of prime-time access:

ALLOCATION OF "ACCESS TIME" BY PROGRAM TYPE

1970-1971 THROUGH 1972-1973 SEASONS



Source: Paul Klein, Computer Television, Inc.

LOCAL INTEREST PROGRAMMING

The previous chart shows a boost in local interest programming, as well as some marginal increase in the amount of news programming. Prime-time access local interest programming is restricted to the major markets, usually the top ten. For the 1973-74 season, the 150 stations subject to the access rule are offering 145 half-hours of local interest programming--less than one-half-hour per station. Of the 145, seven half-hours are on the three affiliates in D.C., and 13 are on the three Boston affiliates. Using the Nielsen 25 Major Market Program Ranking Report for prime-time access shows, it is possible to see how some of these local public affairs programs were rated locally in the 72-73 season. In Boston, the top rated public affairs program, Bostonia, on WNAC, the CBS affiliate, is the twelfth most popular prime-time access program and gets an 8 rating and a 15 percent share of the audience, as against a 31 rating and a 57 percent share for Lawrence Welk, the top rated prime-time access program in the Boston market. Most of the other public affairs offerings in Boston get shares of less than 10 percent of the viewing audience, and are not regarded as ratings successes. These include WCVB's local prime-time offerings, Investigators, Five on Sports, Zenker--Hot Seat, Young Reporters, Third World, and Five at Large, which appear at the bottom of Nielsen ratings for prime-time access shows. In Detroit, the highest rated locally produced public affairs program is Profiles--Black, shown on WWJ, the NBC

affiliate, from 10:30 to 11:00 p.m. on Sundays, but it finishes 16th out of 17 prime-time access shows and gets a 5 rating and a 9 percent share of the audience. In New York, the only regularly scheduled local prublic affairs program in the 1972-73 season was New York Illustrated, on WNBC from 10:30 to 11:00 p.m. on Sundays, and it averages a 5 rating and 9 percent share of the audience. In Philadelphia, the NBC affiliate, KYW, a Group W station, programs Black Edition every week from 7:30 to 8:00 p.m., but the show barely attracts 7 percent of the available audience in that time period, and is the last program in the prime-time access ratings table. The two locally produced shows in Pittsburgh also have the last two positions ratings wise in the city, Face to Face, on WIIC, the NBC affiliate, averages only 6 percent of the available audience from 10:30 to 11:00 p.m. on Sundays, while Close Up, on WTAE, the ABC affiliate, attracts only 2 percent of the audience. In San Francisco, the Westinghouse station, KPIX, a CBS affiliate, has two local shows that finish in the last two places in the Nielsen's, Whatchamacallit, a children's show, and All Together Now, both getting only 8 percent of the available viewers in their time periods. It is an almost identical situation in Washington, D.C., where the five locally produced public affairs programs, The Place on WRC, Caution on WTOP, McCaffrey at Large on WMAL, Perspective on WRC, and Everywoman

on WTOP, hold down the last five places in the ratings. In all of these major markets, game shows or Lawrence Welk are the most popular programs, with the exception of Detroit, where Circus is the most popular prime-time access show.

With the exception of Miami, which is number 18, these top-10 markets account for a large portion of the public affairs programming in the prime-time access period. Although more public affairs programming is promised for the 1973-74 season, the main portion will be provided by the ABC and CBS owned and operated stations.

The problem with locally produced public affairs programming, and even public affairs programming in general, is that it usually appeals to a minority of viewers and therefore does poorly in the ratings. This means that stations generally lose money on this type of programming since it is usually expensive to produce, gets low ratings, and consequently generates low revenues. The average game show, for example, would cost a station in New Orleans, the 36th market, only $300 per half hour, which is roughly the cost of a one-minute of advertising time in a show airing from 7:30 to 8:00 p.m. If the game show was fully sold on a regular basis it would generate gross revenues in the region of $1,500 to $1,800 per show--five one-minute commercials at $300 a minute, plus a station break. After program cost

and advertising agency commission, the profit is quite high--over $1,000 per show. A public affairs program, on the other hand, would cost in the region of $1,000 to $1,500 per half hour, excluding overhead costs, and over $5,000 per half-hour, excluding overheads, in a major market like New York, Philadelphia, or Washington, D.C. These shows are generally topical in nature and are seldom repeated, so program expenses cannot be amoritized over two showings. In addition, because ratings are low, few, if any advertisers are attracted to such programs, especially when such shows deal with the more pressing and sometimes controversial issues facing society, i.e., drug and crime problem venereal disease, abortion, etc. There are, then, considerable disincentives to producing such local public affairs programs, while there are considerable incentives to buy cheap game shows with high viewer appeal and high revenue and profit potential. It is possible, however, to do local public affairs programming more cheaply than the above budget figures suggest, but low budget public affairs programs normally utilize the studio interview technique, with little or no filming, and add little to local station ratings.

According to Mr. Donald McGannon, President and Chairman of Group W, there were 106 locally produced programs in the 1972-73 season that he claims were the direct consequence of the prime-time access rule. Nearly half of these programs, however, were produced in the five markets where Group W has

stations--Boston, Philadelphia, Baltimore, Pittsburgh, and San Francisco. These locally produced public affairs programs have, undoubtedly, led to some increase in employment at the local station level--as many as 40 employed on WCVB's locally produced access shows in Boston. Of the 135 local half-hour programs listed by the FCC, the prime-time access period, 44 were in existence before the rule. If this FCC data is accurate, it means that only 91 half-hours were developed as a result of the rule. (See Appendix III).

To date, there has not been a great impact from locally produced public affairs programming. It is concentrated in the major markets--usually the top-10--and there are compelling economic reasons militating against production of local programming in markets below the top-20. Even so, some increase in local programming is expected in the 1973-74 season because both the ABC and CBS owned television stations have promised more, so the percentage of local interest programming is expected to increase from 6.4 percent of the total of prime-time access programming but, because of economic constraints, it is not expected to exceed 10 percent--in fact, it is only 7 percent in 1973-74.

GAME SHOWS

The reason for the dramatic increase in game shows since the passing of the prime-time access rule is that these shows are: (a) cheaply produced; (b) popular among very young and very old viewers, and these two groups constitute

the bulk of viewers from 7:30 to 8 p.m . (c) most of the access game shows are off-network, and are familiar to viewers; and (d) some game shows are stripped, thus providing five half-hours of access programmin ming with a minimum amount of programming effort. Game shows as a category of prime-time access programming rose from 8 percent before the rule, to 14 percent in the first year of the rule, to

32.1 percent in the second season, 1972-73, and up to 36.6 percent in the 1973-74 season. The reason for this dramatic increase between year one and year three of the rule is that during the first season of access, 1971-72, the off-network programming restriction was waived, which meant that some local affiliates decide to buy former network programs e.g., Dragnet, Bewitched, Jeannie, Lucy, The Dick Van Dyke Show, Hogan's Heroes, The Beverley Hillbillies, etc., for broadcast in the prime-time period. For the second season, 1972-73, however, off-network programs such as these were not allowed, and this led directly to the upsurge in game shows, particularly those that are stripped--that is played from 7:30 to 8:00 p.m. Monday through Friday. These programs included the highly rated Let's Make a Deal, Truth or Consequences, Hollywood Squares, To Tell The Truth, Price is Right, and others. Game shows have extremely low budgets--roughly $30,000 for five half-hour shows for stripping, or from $10,000 to $20,000 per single half-hour show for those that are stripped on a network during the daytime. Many

access period game shows are low-budget programs because the producers merely make a sixth edition of a daytime show to sell in syndication as an access show. This is true of Let's Make A Deal, on ABC-TV Network from 1:30 to 2:00 p.m. Monday through Friday, Hollywood Squares, on NBC-TV Network from 11:30 to Noon Monday through Friday, and Price is Right, on CBS-TV Network from 10:30 to 11:00 a.m. Monday through Friday, all of which have additional low-budget episodes made for prime-time access syndication. Meanwhile a dramatic show or a situation comedy produced for the prime-time access period might cost from $50,000 to $75,000 per half hour, if produced in the U.S., and half if produced abroad. When these two types of programs are offered competitively, in syndication, the game show always has a distinct price advantage, and this helps explain why game shows, that generally do as well or better than dramatic shows in the 7:30 to 8:00 p.m. time period anyway, are preferred to new to television dramatic shows. If old network re-runs were allowed, however, e.g., Hogan's Heroes, Dragnet, etc., these would become price competitive with the game shows because they are being offered for sale as off-network re-runs and are not original programs. (The economics of the syndication business will be dealt with fully in a later section of this report.)

BARTER AND SYNDICATED PROGRAMS

Another consequence of the prime-time access rule was that it led to the redevelopment of the barter program. A barter program is a program that is usually presold to a sponsor, for example Bristol-Myers, or Brut, or Chevrolet, all of which had barter programs in the 1972-73 season. The sponsors usually pay all production expenses for the show and often undertake distribution costs. The show is then offered to stations free of charge; all the sations have to do is schedule the program, which normally contains a minimum of two minutes of advertising from the sponsoring company. The other three minutes, plus the station break, can be locally sold and thus generate the local station's profit.

Barter is a relatively painless way of making money at the local station level, and probably most closely approximates the network affiliation system. There are no risks in program selection, no program expenses, and whatever minutes of advertising are sold constitute station profit. Some of the better known access shows are distributed on a barter basis, among them Hee Haw, Young Dr. Kildare, Lassie, The Protectors, Johnny Mann Stand Up and Cheer, and a number of game shows. [illegible]

[illegible]

The other program type for prime-time access is the newly produced show. These new shows are sold to the local stations for a negotiated fee which varies according to market conditions and the expected popularity of a particular show. These programs are often marginally cheaper than the barters, which take a minimum of two minutes of advertising. Local stations buying programs have to make decisions determining wheter the new to television syndicated programs will garner an adequate number of viewers, and then have to attempt to sell all the commercial positions in those programs, not just two or three as they do in barter shows.

PROFIT POTENTIAL

Because the prime-time access rule gave the local stations an additional weekly advertising inventory of a minimum of 24 and a maximum of 44 minutes a week to sell, most stations choose a mixture of barter programs and programs that have to be purchased directly from the production company or a syndication firm. Whatever their program mix, however, network affiliates in the large metropolitan markets were given a greatly increased profit potential because of the prime-time access rule.

Before the passing of the prime-time access rule, the most an affiliate could get was guaranteed station compensation from a television network equal to the revenue obtained from a

maximum of seven-and-a-half minutes of advertising per week for carrying the network program feed from 7:30 to 8:00 p.m. Monday through Saturday, and from 7:00 to 8:00 p.m. on Sunday. The local network affiliate is compensated according to a formula that gives the local station revenue roughly equal to one-third of its local hourly rate. The hourly rate is what a station can expect in revenue from selling all its advertising in a one-hour program.

Consequently, the prime-time access rule, by increasing the amount of local advertising inventory to a minimum of 24 minutes and a maximum of 44 minutes every week, year round, gave the local affiliated stations potential opportunities to increase profits. While network programming generally carries only 3 minutes of advertising every half-hour, plus a local 60 second station break, once the prime-time access period became the responsibility of local stations, this time period carried 5 minutes of local advertising plus a 90 second station break in most major markets, so the amount of advertising time available increased by up to 75 percent, although many stations settled for less than this maximum

The chief advantage of the networking system to the local affiliates is that no program selection or expenses are involved--the affiliates simply let the networks program, and receive compensation for clearing network programs locally.

After the passing of the rule, the affiliates had to buy or produce programming for an additional four hours every week. The overall profit potential, however, was enormous for large-market network affiliates, providing that the additional advertising inventory could be sold. This became the crucial question in a local station's attitude toward the prime-time access rule: Could it sell the additional advertising? If it could, a station embraced the rule; if it could not, a station would fight to repeal the rule. Generally speaking, stations in the larger markets--one through 50--had no difficulty in buying programming, selling advertising time in that programming, and making more money from the rule than they did before the rule. After some hesitation, more local advertisers came forward to take up the additional advertising minutes made available by the rule, and national spot advertisers also increased their expenditure when the economy began to firm up in the fall of 1971--right at the beginning of the first season of the rule. After believing that the rule might depress major market advertising prices generally, most of the local stations in the top-50 markets--accounting for roughly 70 percent of the nation's television households--saw that prices were relatively firm, and that they would make greater profits, thanks to the FCC.

GROWTH IN LOCAL ADVERTISING

For the past ten years, the amount of local advertising has grown at a rapid rate--from $253.7 million in 1962 to $778.1 million in 1972. According to the FCC's Annual Television Broadcast Financial Data, local advertising constituted 21.4 percent of total television income in 1972, up from 14.9 percent ten years earlier. In fact, local advertising has been the most dynamic in growth over the ten year period. National spot advertising constituted 33.1 percent of the total ten years ago, and amounted to 32.1 percent in 1972. Network advertising accounted for 46.4 percent of the total in 1972, and 52.0 percent in 1962. In money terms, network and national spot advertising doubled in the ten year period, while local advertising tripled. This growth in local advertising was particularly dramatic since the passing of the prime-time access rule, rising from $589.1 million in 1970 to $778.1 million in 1972--a 32 percent increase in two years.

This increase in local advertising helped take up many of the additional minutes that the local stations had for sale as a result of the prime-time access rule. In addition, the economy strengthened from the fall of 1971 onwards and this, too, helped sell some of the additional minutes. The crunch will come when the economy begins to weaken, as is expected in 1974, and this should be the first full test of how well the

local minutes stand up to pressure on price. Since the general trend in local advertising is upward, any setback in the price of locally sold minutes due to economic downturns should be temporary, and the outlook for the future is good. The local stations in the major markets will, probably, do much better financially in the long-term as a result of the prime-time access rule.

VIEWER PREFERENCES

One of the major snags, however, so far as the major market network affiliates are concerned, is the tendency for viewers to watch the independent television stations in this prime-time access period. In the early weeks of the first prime-time access season, 1971-72, while network ratings were up an average of three points over the 1970-71 season, affiliates across the country were suffering a three point ratings' drop in those prime-time periods in which the FCC required them to carry local or syndicated programs. At the same time, independent stations were increasing their ratings by an average of 7.5 percent over the previous year. Supporters of the prime-time access rule said that this change was temporary and that viewers would return to the network affiliates in the second half of the season. As the season developed, however, the audience movement to independent stations viewing in the 7:30 to 8:00 p.m. access period became even more pronounced.

During February, 1972, the average rating was down 11.8 percent from the previous season, and independent station ratings were up by 33.3 percent, according to the 70-market Nielsen figures. We can assume that substantial numbers of the viewing public, by switching to the independents for the prime-time access period, and then back to the network programming feed at 8:00 p.m., prefer to watch off-network repeats shown by the independents, rather than the largely new programming offered by the affiliates. This question of switching to the independents and its impact on them will be dealth with more fully later. The reason that affiliated stations in large markets did not worry too much about this ratings switch was because they were making more money from the rule themselves by buying relatively cheap programming, selling more advertising minutes in it, and making bigger profits. But, as we shall see in a later section, the threat from the independent stations, both VHF and UHF, could grow, and promises to be permanent.

ECONOMIC IMPACT ON SMALL MARKET AFFILIATES

The extent to which any station is sold commercially varies enormously depending on overall local, regional, and national economic conditions, and also upon the time of the year. The fourth and second quarters of the year are usually much better

sold than the first and third quarters. On the average, however, an affiliated station is usually 60 to 75 percent sold in the daytime, and from 85 to 95 percent sold in prime-time. In markets below the top-100, there are mixed feelings about the prime-time access rule. Most local station managers in the bottom 150 markets cannot afford to make their own programs because of their limited resources, and some have difficulty buying programs to fill all the local hours of programming that they have. Station managers interviewed for the purposes of this report said over and over again that the prime-time access rule has led to a dramatic increase in the demand for "good quality programming"--usually as much as 21-hours a week in the many three-station markets that present only half-an-hour of local news--and there simply is not available 21-hours of programming that can attract an adequate number of viewers.

In addition, national spot advertisers are generally not all that interested in small market stations which often means that these stations are the first to suffer from a downturn in the economy.

Within this general framework, there are those, of course, that have welcomed the prime-time access rule and are now beginning to make more money from it, thanks largely to the growth in local advertising. In Charleston, South Carolina, the 119th market, the three affiliated stations are happy with the rule because the local economy is buoyant and local

businessmen are buying advertising in the prime-time access period. In Duluth, Minnesota, the 108th market, the rule has been an absolute disaster, according to Mr. Odin Ramsland, General Manager of KDAL-TV, the CBS affiliate there. The reason for this is that the prime-time access rule has provided the market with too much advertising to sell locally because the economy in the Duluth area is currently depressed, due to the fact that United Steel, the area's biggest employer, has recently closed down its local plant.

Generally speaking, most affiliated stations in small markets have welcomed the prime-time access rule. A significant minority, however, are opposed to the rule, especially the more than 33 percent of affiliated VHF stations and the 35 percent of affiliated UHF stations in markets below the top-100 that are either losing money ro making less than $50,000 a year in pre-tax profit. These stations feel that the rule has created too much excess capacity in advertising, thus depressing overall profits, or at leas tmaking any expansion in profits more difficult, even though the outlook for the development of local advertising looks promising in the long-run.

PRIME-TIME ACCESS RESULTS

In summary, these are the results of the prime-time access rule, as far as the network affiliated stations are concerned:

1. The networks' five owned and operated stations are in a potentially better financial position, as are the stations in

the larger metropolitan markets. This is because they are able to sell the increased number of commercial positions provided by the rule while spending little for the programming offered by highly-competitive syndicators for the prime-time access periods

2. Stations in smaller markets, those allowed to program off-network re-runs, generally favor the rule, but their view of the rule depends largely on the strength of the local economy. Some small stations are faced with an excess capacity of commercial positions and, although local advertising is growing, it has not yet been able to fill all the available time, although it probably will in the long-run. In addition, small market stations attract very little national spot advertising, especially during an economic downturn.

3. While the rule has led to some increase in locally produced and originated public affairs programming, with a subsequent impact on local station employment, this is basically confined to the largest markets. Such programming is not very popular and, although some minimal growth can be expected in this area of programming because of <u>believed</u> FCC pressure in this area, it is unlikely that this programming will become either profitable or popular in the foreseeable future.

4. The rule has led to an increase in the number of minutes advertising that varies from market to market, but ranges from [illegible] to 66 percent. Before the rule, the 7:30 to 8 p.m. period carried three minutes of network advertising, plus a station break. Now stations generally attempt to sell five minutes of advertising plus station break.

SECTION IV: THE INDEPENDENT TELEVISION STATIONS

PROGRAMMING

Both VHF and UHF independents are not subject to the prime-time access rule, and have generally programmed off-network re-runs in the 7:30 to 8 p.m. time period. In the country's major market, New York City, where there are three independent VHF stations, all three are programming material previously seen on the networks during the prime-time access period. WNEW, a Metromedia station, programs That Girl, previously seen on ABC; WPIX, owned by The New York Daily News, programs Jeannie, previously seen on CBS; and WOR, owned by RKO, programs

It Takes a Thief, previously seen on ABC. This situation recurs countrywide on the independents, with That Girl on the independent stations in Washington, D.C., Cincinnati, and Minneapolis, among others. Dragnet, originally seen on NBC, is being played during prime-time access by independent stations in Boston, Oakland-San Francisco, and others. Many other independent stations program Petticoat Junction (first seen on CBS), Dick Van Dyke (CBS), The Beverley Hillbillies (CBS), Hogan's Heroes (CBS), Get Smart (NBC), and the apparently ever-popular Lucy (CBS).

Countrywide, it is true to say that the vast majority of independent stations, well over 90 percent of them, are programming syndicated off-network re-runs during the prime-time access period when their network affiliated competitors have to program something that is original and not off-network. As a result, the independent stations, both VHF and UHF, appear to have been given a considerable competitive advantage during this time period, resulting in a ratings boost, with a consequent impact on advertising revenues and overall profit.

The only problem with the rule, so far as the commercial independent stations are concerned, is that the prices of off-network syndicated programming are rising at a rapid rate. In many cases, off-network programs with a proved ratings success, such as Mission Impossible, The FBI, Ironside, and Adam-12, are selling at more than double the prices they could have

expected to fetch before the rule was passed. The scarcity price for off-network syndicated programming has been brought about by the fact that the prime-time access rule, by reducing the amount of network prime-time, means that fewer film series and dramatic shows produced in Hollywood are being aired on the networks. In addition, the longer-form of programming, and the introduction of the mini-series, have also led to a reduction in the type of programming, namely the one-hour or half-hour series programs, that independent stations like to rely on in their prime-time schedules. Because of this scarcity, prices for such programming have risen, quite dramatically in many cases. A one-hour dramatic series that sold for something like $850 per episode for three plays in 1971 in a market the size of Dallas-Fort Worth, the eleventh largest market, can now be expected to sell for $2,000. In fact, Ironside was sold in the Dallas-Fort Worth market for $2,000 per episode for four plays, while four plays of The FBI was sold for $1,900 per episode. In San Francisco, the sixth market, Ironside was sold for $6,000 per episode for four plays, while Mission Impossible was sold a few months earlier for only $2,100 per episode for three plays. (Syndication pricing will be discussed fully in a later section).

RATINGS

In most of the major markets, the prime-time access rule has meant that the independents are winning the ratings battle in this

time period, often for the first time ever.

Using ARB top-25 market data, it is possible to trace the viewing trends resulting from prime-time access over a three-year period--one year before the rule, and the two years since. Pure reverted time periods have to be used if there is to be any meaningful comparison between the pre-access and post-access. Pure reverted access periods are from 7:30 to 8 p.m. on Monday, Wednesday, Thursday, Friday, and Saturday nights. Tuesday and Sunday have been eliminated because ABC was given a waiver to start programming at 7:30 p.m. on Tuesday in the first season of prime-time access, and CBS and NBC broadcast from 7:30 to 10:30 p.m. on Sunday. In addition, the independent station share figures have been weighted according to market size. Bearing this in mind, the independent stations in the top-25 markets had a 16 percent share of the audience in the 1970-71 season--the season immediately before prime-time access. In the first season of prime-time access, the 1971-72 season, this share jumped dramatically to 28 percent. There was some slight loss during the 1972-73 season, but the independent stations still gathered a 26 percent share of the television audience during the 7:30 to 8 p.m. time periods on Monday, Wednesday, Thursday, Friday and Saturday.

This improvement in the ratings position of the independents can perhaps be better understood by moving from the general to the specific. WTTG, the Metromedia independent VHF station in

Washington, D.C., increased its audience in the 7:30 to 8 p.m. slot by fully 60 percent between November, 1970, and November, 1972. This happened as a result of the prime-time access rule and on the ratings strength of two off-network syndicated shows, I Dream of Jeannie in the first season, and That Girl in the 1972-73 season. WTTG is the clear winner in the Washington, D.C., ratings battle during prime-time access with a 14 rating for a total of 215,000 homes, according to the ARB ratings for January/February, 1973, and a 16 rating for a total of 227,000 homes, according to the Nielsen survey for January/February, 1973. In both cases, the second station in the D.C. market is WMAL, the ABC affiliate, with an ARB rating of 13 for 166,000 homes, and a Nielsen rating of 12 for 164,000 homes. WMAL, incidentally, strips the game show, Truth or Consequences, Monday through Friday, a show that is syndicated by Metromedia Producers Corporation. Also in the Washington, D.C. market, WDCA, the only commercial UHF independent, has doubled its prime-time audience since the passing of the rule. Some of this is due to increased power, but much of it is due to the rule.

In Buffalo, New York, the UHF independent, WTV, has seen its audience share jump by 162 percent because of the rule. According to Nielsen data, the adult audience has grown by a staggering 714 percent.

IMPACT ON PROFIT

All of this, of course, has had an impact on the profitability of both VHF and UHF independents, since ratings determine the amount of advertising revenues. The 34 independent VHF stations have traditionally been strong competitors of network affiliates in the markets where they exist, and these stations are usually profitable. The prime-time access rule, however, has led to a strengthening of their competitive position, and they have been able to exploit their dominance in the 7:30 to 8 p.m. time period, thus increasing advertising revenue and overall profit.

According to the FCC's annual television financial data, the 34 independent VHF stations have had their best years ever since the passing of the prime-time access rule. Total gross advertising revenues in 1972 rose to an all-time high of $193,533,000 operating expenses were $174,455,000, and the profit figure was $19,078,000. In 1971, with 31 independent VHF stations in business, FCC records show that revenues amounted to $167,431,000, operating expenses were $148,165,000, and profit amounted to $19,265,000. Since the passing of the primeetime access rule, the independent VHF stations taken as a whole have enjoyed their two best years. Thse figures hide the fact that 11 VHF independents actually lost money in 1972, but the competitive positions of these stations is improving, and most of them are expected to show a profit by the end of 1973, thanks

mainly to the prime-time access rule.

An even bigger impact on profit has been felt among the 58 UHF stations--stations that have traditionally been unprofitable because they began operations later than most of the VHF stations, were denied network affiliation in most markets, and have had to contend with a tuning problem since they were assigned spectrum space for channels 14 through 85.

According to a report by the National Association of Broadcasters, 1973 Television Financial Report, the typical UHF station, both independent and affiliated, operated in a profit in 1972--the first year that this has happened since 1952, when the UHF frequencies were first opened for commercial television's use. Of the 81 UHF stations in the NAB survey, 41 made a profit in 1972.

Although the independent UHF stations are enjoying record revenue levels, thanks to the prime-time access rule, they are still not in an overall profit position. In 1972, the 58 independent UHF stations reported all-time record revenues of $80,907,000, up from $63,245,000 in 1971, according to FCC Financial Data. Broadcast expenses, however, were $98,463,000 in 1972 and $92,647,000 in 1971. Reported losses amounted to $17,556,000 for 1972, the lowest on record, as compared with $29,402,000 in 1971. Eleven UHF stations reported a profit in 1972, an all-time high, while 42 reported losses, an all-time

low. The trend for independent UHF stations is one that is moving toward a profit for the typical stations by 1976.

The leading independent UHF group, Kaiser Broadcasting, which owns six stations, all of them UHF independents in major markets, has moved from a loss position to a profit position since the passing of the prime-time access rule. In combination the six Kaiser stations earned a profit in 1972 for the very first time, with revenues 18 percent ahead of 1971.

To most commercial independents, the prime-time access period has become an important generator of advertising revenue. Generally speaking, 40 percent and more of independent station revenue is generated from the 6 to 8 p.m. time period, with more than a half of that coming from the 7:30 to 8 p.m. period. Since prime-time access, revenues earned during the prime-time access half-hour have increased by at least a third, and by much more in many markets.

Given several more years of the prime-time access rule, the vast majority of commercial independents, and particularly the UHF stations, will probably become commercially viable.

<u>PRIME-TIME ACCESS RESULTS</u>

In summary, the prime-time access rule has resulted in the following results, so far as the independent television stations are concerned:

1. The competitive strength of both VHF and UHF independents has been considerably strengthened. More viewers are turning to the independents during the prime-time access period. This has resulted in increased revenues, and has moved an increasing number of stations into profit positions, often for the first time ever.

2. The long-term effect of the prime-time access rule will probably be that the independent stations will become an increasingly more viable force in American television, and will be able to compete more effectively with both the networks and station affiliates.

3. Spiralling costs of syndicated programming, particularly off-network programming, upon which the independents rely, constitutes the only disadvantage stemming from the rule. Off-network program syndication costs have increased dramatically because the rule, by diminishing the amount of network prime-time, has made off-network programming a scarcer commodity, with a resultant increase in price.

SECTION V: THE INDEPENDENT HOLLYWOOD MOVIE & TELEVISION PROGRAMMING INDUSTRY

INTRODUCTION

The Hollywood Movie Industry depends upon its ability to sell its product to the television industry, particularly the three networks. All the production companies not only attempt to sell their theatrical motion prictures to television, but also produce made-for-television movies and program series for the networks. Television, once the biggest threat to the motion picture business, is now a crucial link in its future.

At least 80 percent of film output in the United States is accounted for by eight concerns, who use their own in-house production facilities or finance smaller independent producers. Three of these eight concerns are conglomerates: Gulf and Western, which owns Paramount; Warner Communications (formerly Kinney Services), which owns Warner Brothers-Seven Arts; and Transamerican Corporation, which owns United Artist. The major independents are Columbia-Screen Gems, Disney, MCA (Universal), MGM, and 20th Century Fox.

The industry has always been quixotic, having had a long history of cost overruns on major motion pictures, temperamental and extravagant stars, and, all too often, poor management. Part of the industry's problem is due to the fact that the movie market is inherently speculative and highly competitive because too many people want to make too many films for too few potential customers.

Almost everyone knows that the movie industry has been going through difficult times since the television industry became a major competitor in the late fifties and early sixties. In fact, the Hollywood industry reached its peak in the years from 1945 to 1948, when attendance at movie theatres averaged 90 million people a week. Today the figure is about 17 million. In 1947, box office gross receipts reached an all-time high of $5 billion; today the gross is about $1.3 billion, climbing steadily from a low of $989 million in 1967, and industry forecasters do not expect it to reach $2 billion until 1980.

This long-run decline in the business fortunes of the industry is due to a number of factors, most important being the growth of the television industry. Other reasons given include the expense of the tickets, babysitters, cost of dining out, parking, etc; fears about the safety of attending downtown theatres, and general inconvenience.

The under-30 population comprises about 75 percent of today's theatrical motion picture audience. The 30 to 40 age group makes up slightly over 10 percent. About 65 percent of the American population never go out to see a motion picture. They stay home watching television. They have not deserted movies, however, because they see more movies than ever before--but free of charge on television.

Because of these factors, the movie industry went through a crisis period from 1967-71, when it suffered a financial bloodbath. During this time, the number of feature films granted code seals by the Code Administration of the Motion Picture Association of America increased two-and-a-half times, from 215 in 1967, to 478 in 1971. A number of high-budgeted movies were financial disasters, however, and movie-makers reduced the number of these films costing from $10 to $15 million, from ten in 1969, to five in 1970, and only one in 1971, with none in excess of $10 million since. As the high-budgeted movies declined, the new low-budget "independent" movie-makers took on an increasingly important role in film production. The "new breed" of filmmaker, usually using little known or unknown stars, aimed their product at the under-30 moviegoers. They kept production costs low, often between $300,000 and $500,000 per picture. Because most of the small independent producers lack distribution facilities, they relied on the major studios, and also often used major studio financing and facilities. While the high-budget movies were losing out to the low-budget movies, the major production houses lost heavily, particularly in 1969 and 1970 as the chart on the next page will show:

COMPANY	PARENT	'67	'68	'69	'70	'71	'72
		ACCOUNTING PERIODS ENDING IN: (Profit/Loss in $m)					
Columbia/ Screen Gems	-	6	10	6	6	-29	4
MGM	-	14	8	-35	-8	8	10.7
Paramount	Gulf & Western	na	na	na	2	22	31
Twentieth Century	-	15	14	-37	-77	6	7.8
United Artists	Trans-America	17	19	16	-45	1	10.8
Universal	Music Corporation of America	17	13	3	13	17	20.9
Warner Brothers*	Warner Communi-cations (Kinney)	3	10	-52	8	9	50.1
Disney	-	10	13	17	22	22	40.2

*Warner's figures exclude the highly profitable music division for the years 1969, 1970, and 1971.

Source: Prepared by Alan Pearce using data from Variety, Business Week, The Economist, and company reports.

Because five of the big eight movie-makers lost money during some of these years, the shock waves helped to rationalize and reorganize what had become an inefficient industry, with some notable exceptions. For the first time, the industry adopted new management techniques and, spurred on by the new-breed of low-cost movie-makers, the industry synchronized production with marketing. Total overheads have been reduced by cutting down on production and studio costs, and by rationalizing distribution.

Today, investment decisions are based on each movie's profit potential in three main markets:
1. U.S theatres; 2. Foreign theatres; 3. Leasing to television, both at home and abroad. Some studios will approve production of a movie only if it will be potentially viable in all three markets. Some low-budget movies, however, are aimed at specialized markets, resulting in an upsurge of movies made especially for blacks, teenagers, etc.

It is now rare for a movie to cost more than $5 million, and the vast majority of the almost 500 movies expected to be relased in the U.S. in 1973 cost between $1 and $2 million. Traditionally the movie business was based on the assumption that it was the occasional 'smash hit' movie that allowed it to stay in business and cover the inevitable losses of most movies. This idea has gone forever, and only exceptional movies receive budgets in excess of $2 million.

Perhaps the great appeal of the movie industry, apart from the apparent glamor, is the prospect of great profit, and this explains why many firms, both large and small, are tempted to gamble in the business, including the Mattel Toy Company which co-produced _Sounder_, _Reader's Digest_, which produced _Tom Sawyer_, and Brut, which financed _A Touch of Class_. A list of some of the top money makers will give some idea of the spectacular profits that can be made from the movie business:

MOVIE	ESTIMATED COST OF PRODUCTION	GROSS U.S. BOX OFFICE RECEIPTS
The Godfather	$6 million	$85 million
Gone With The Wind	$4 million	$78 million
The Sound of Music	$7.6 million	$72 million
Love Story	$2.2 million	$50 million
The Graduate	$3.1 million	$48 million
Doctor Zhivago	$8 million	$48 million
Airport	$10 million	$45 million
The Ten Commandments	$14 million	$43 million
Ben-Hur	$15 million	$41 million
Patton	$12.25 million	$36 million
My Fair Lady	$12 million	$32 million
M*A*S*H	$3 million	$31 million
Mary Poppins	$8 million	$31 million
Butch Cassidy and the Sundance Kid	$5.5 million	$29 million

Compiled by Alan Pearce from data published in Variety or supplied by confidential sources.

This list, of course, while by no means complete, does give some support to the theory developed by the new breed of movie-maker that it is not necessary to make a high budget picture to assure box office appeal. In fact, young people are often attracted by low-budget movies. The list deliberately excludes the hundreds of movies that did notbreak even. In 1971, for example, some 170 films shared only $60 million in gross box office recepts--and that amounts to a lost of misses.

The number of general feature movies rated and released in the U.S. has climbed steadily since 1967 from 215 to 493 in 1972. In 1973, an expected 500 movies will be released in the U.S., and almost a half of them will have been made and financed abroad. Of those financed by the American motion picture industry, roughly totalling 260, between 110 and 120 of them will have been made either exclusively or partially abroad as a cost-saving method and also to broaden audience appeal. So, while the number of movies made throughout the world and distributed in the United Stateshave been climbing steadily, the growth of the home based movie industry has been slowed somewhat because of the impact of foreign competition. The roughly 500 feature movies released in 1973 can be expected to have gross box office revenues of $1.3 billion. This means that the average gross revenue per movie amounts to only $2.6 million. Since one-third of the gross

revenue is kept by the theatre owners, to cover their expenses and profit, only $1,733,334 remains to cover costs of production and distribution. It is, therefore, easy to understand why the vastmajority of movies have generally lost money in the past few years, and why income from abroad--down to a third of gross earnings from a maximum of 50 percent in the prosperous days--plus income from television, are so vital to the economic health of today's movie business.

THE TELEVISION INDUSTRY AND THE PROGRAMMING INDUSTRY

It was against this general background, that the Federal Communications Commission imposed the prime-time access rule on the television industry in the Fall of 1971. The immediate impact of reducing network supplied programming by a three-network total of 12 hours a week was felt most seriously in the program making industry, based in Hollywood. The situation was made worse because the movie industry was attempting to recover from an almost calamitous depression, and having attempted to rationalize and modernize itself, was not about to accept the prime-time access rule without a fight.

Of the 12 hours taken away from the networks by the rule, an estimated ten hours a week were supplied by the program making industry in Hollywood. Ten hours of prime-time television entertainment programming costs roughly $2 million, since the average hour of a prime-time program costs a little over $200,000.

If this figure is multiplied by the 24-week television season (24 weeks plus 24 repeats), then the total loss to Hollywood is in the region of $48 million. Of this, about 70 percent is suffered by labor, both creative (which is very highly paid, though not always in regular work), and technical (which is paid at rates roughly commensurate with other industries). Consequently, it is true to say that Hollywood received the very first economic shock wave of the prime-time access rule, which took away roughly 18 percent of the total network prime-time schedule and put it in the hands of the affiliates.

From the beginning, it was generally believed in Hollywood that television was a major contributing force in the long depression of the movie industry. The prime-time access rule was thought to be yet another step in the disintegration of Hollywood.

The movie-makers, for the most part, accepted television as a necessary evil. They point to the days when television was young and say there were more independent movie producing companies actively supplying broadcasters in the late-50's and early 60's than there are today. In fact, the FCC's prime-time access rule was, in part, motivated because the networks occupied more and more time than they had in the early days—and this was

a natural enough process.

There have grown up, with television but stemming from the movie industry, three broad categories of individual producers who were recognized to have sufficient competence to produce network-calibre programming:

1. The "major" public companies with their own facilities for major motion pictures and for television film production and distribution.
2. The medium-sized, often public, independent companies with wide creative resources, often their own distribution resources, who rent production facilities from other independent companies, usually the larger ones.
3. Smaller, often individually owned companies, producing live-on-tape shows, either with independent tape facilities but more usually on network premises either in Hollywood or New York.

Certainly the same basic economic forces that drove the movie business to the wall also affected those companies involved in television program production. These adverse economic forces can be summarized as follows:

1. So-called adverse union conditions in the film industry. There have been some accusations of feather bedding against the Hollywood unions. Without going into the merits or otherwise of this argument, it is an economic fact that when an industry is popular and profitable, as the movie business was in the 1940's, the

unions can expect to share in the rewards. It is also an equally important economic fact to note that when bad times come to an industry, as they did to Hollywood in the sixties, then the unions are not prepared to willingly accept a rollback in wage rates and conditions. Consequently, the brunt of a business downturn is felt first by management, the people who gave the pay raises to the unions in the first place. Then, if the depression is prolonged as it was in Hollywood, the workforce is trimmed, as it was.

2. Rising talent costs. Hollywood has traditionally paid high fees for top creative talent--stars, writers, producers, directors, etc. Here again, when a high paying precedent is established, it is difficult, if not impossible, to halt the trend, let alone reverse it. As a result, the same Hollywood stars that appeared in movies, demanded what some considered to be high fees for appearing in television series. This became an important factor in bidding up the price of television production.

3. Difficulty in "gearing down" to television standards. It took the movie industry a long time to "gear down" to television standards, and some of its critics say the process is by no means complete. The movie industry was originally developed to make major motion pictures to be projected on large screens. Sound and picture quality was of the utmost importance, and time, generally speaking, was not all-important. In television, the new medium,

the finished product was being flashed on to a small, as distinct from a large, screen. Sound quality was not all that important, but time was of the essence. Television became much more of a mass production industry than the Hollywood movie industry ever was. Instead of producing a few movies a year that were distributed slowly around the country, with runs lasting several weeks or even months, television entertainment was immediate--nightly national distribution of many hours of different types of programs. Initially Hollywood was unable to cope with these dramatic changes, and the techniques used in motion picture production were slow to adapt.

4. The high costs incurred by the changeover in television from black-and-white to color. This changeover in the sixties caused production costs to rise sharply and led, to a considerable extent, to the change in re-run policy by the three television networks. Because of the higher costs, the number of re-runs increased. As a result, there was a production loss in Hollywood.

5. Finally, indpendent production companies discovered that they could not profit sufficiently from their sales to the three networks to speculate on independent, new programming. Indeed, television production became so costly, because of the reasons outlined above, that many companies withdrew completely or retrenched investment in network calibre programming because their

dealings with the networks made their television production unprofitable, or marignal.

The eight major companies--Columbia-Screen Gems, MGM, Paramount, 20th Century, United Artists, Universal, Warner Brothers, and Disney--have met with very varied fortunes on network television. United Artists is the only one that has withdrawn completely from new television production. Warner Brothers withdrew in 1965, but re-emerged in 1969 as part of its absorption into the Kinney conglomerate. MGM and 20th Century Fox have also had problems with television production and major motion pictures, while Columbia-Scren Gems, although reasonably successful with television series, has had great difficulties at the corporate level. This leaves Universal, owned by Music Corporation of America (MCA), Disney, and Paramount (part of Gulf and Western), as perhaps the three most successful program makers.

Of these three programming companies, Universal is by far the most successful in terms of television production. MCA-Universal has not suffered a loss since the end of the second World War. Gross revenues have grown from $5 million in 1946 to a record $345 million in 1972. Universal studios produced 320 hours of film in 1972--far more than any of its competiors--and two-thirds of its film revenues came from television. To get the 4,500 feet of film necessary for a one-hour television series like <u>Ironside</u>, it is necessary to shoot 30,000 feet of film and edit it down. Universal, realizing that speed was

important in this process, was probably the first studio to be run with an eye to business efficiency. Budgets are strictly supervised by management, who scrutinize daily computer cost print-outs, and cost overruns are not tolerated. Television production in particular is never allowed to run beyond the time allotted for shooting--a maximum of three days for a half-hour series, and five for a one-hour series. Some of Universal's successful television series include Ironside, Marcus Welby M.D., Owen Marshall, The NBC Mystery Movies--Columbo, Macmillan and Wife, Mcloud, Banacek, etc., and Adam-12.

Paramount, with series on television like Mannix and Mission Impossible on CBS, Love American Style, The Brady Bunch, and The Odd Couple, on ABC, as well as a number of made-for-television movies, is also still a dominant force in the high budgeted major motion picture field. Paramount, in fact, made The Godfather, which will probably gross around $100 million at the box office in the U.S.--an all-time record, and the company is spending over $12 million on three movies--one a sequel to The Godfather, and two others, The Great Gatsby, and The Day of the Locust.

Four of the other five major studios do have series currently running on prime-time network television. Warner does the popular Kung Fu series on ABC, The Brian Keith Show (Little People) on NBC, makes made-for-television movies for all three networks, jointly produces at least one other series, The FBI, while renting

its studio facilities out to a number of smaller production companies. Columbia-Screen Gems produces <u>The Partridge Family</u>, <u>Bob and Carol and Ted and Alice</u>, <u>Temperatures Rising</u>, <u>The Girl with Something Extra</u>, <u>Needles and Pins</u>, and <u>Police Story</u>, with some of these series produced in conjunction with small, independent producers. Twentieth Century Fox produces <u>The New Adventures of Perry Mason</u>, and <u>Roll Out</u>, both new series on CBS. MGM has recently made a comeback to prime-time after being reduced to only one series, <u>Medical Center</u>, on CBS. Beginning in the fall of 1973, MGM had three new series on television-- <u>Mr. and Ms</u>. on ABC, <u>Hawkins</u>, and <u>Shaft</u> on CBS.

The rest of the prime-time schedule represents the work of a number of smaller producers, but many of them more successful than the majors in the amount of prime-time television that they produce.

QM Productions, for example, produces <u>The FBI</u>, and <u>The Streets of San Francisco</u> on ABC, and <u>Cannon</u> and <u>Barnaby Jones</u> on CBS--all of them one-hour detective series. QM Productions does not have its own facilities, but rents from the majors.

After QM, the two most successful production outfits are Tandem Productions--<u>All in the Family</u> and <u>Maude</u> on CBS, and <u>Sanford and Son</u> on NBC, all of them situation comedies; and MTM Enterprises (for Mary Tyler Moore)--<u>The Mary Tyler Moore Show</u> and <u>The Bob Newhart Show</u>, both situation comedies and both on CBS. These five shows are all produced with the help of network production facilities--that

on network owned studios in Hollywood. Tandem's All in the Family and Maude, are produced on CBS's tape facilities and play on the CBS Television Network; The Mary Tyler Moore Show and The Bob Newhart Show are produced at CBS's film studios in Hollywood and play on the CBS Television Network; and Tandem, which produces its two CBS shows on CBS facilities, produces its only NBC show, Sanford and Son, on NBC's tape facilities in Hollywood.

Apart from detective series and situation comedies, the most popular forms of prime-time network television are major motion pictures and made-for-television movies, and the musical variety shows. The problem with all prime-time television series, however, is the high waste factor, and perhaps a third or more of the new series launched in the 1973-74 season will not last the full year.

NETWORK TELEVISION PROGRAM PRODUCTION FACILITIES

In 1967, with a $30 million revolving fund, ABC started ABC Films [sic] to produce "theatrical" motion pictures, most of which would ultimatley be shown on the ABC Television Network. ABC incidentally, is also the nation's largest theatre owner (over 400), but theatrical distribution was to be by independent companies, although arrangements for distribtuion to the ABC Television Network, and other television distribution, were to be handled "internally." These theatrical movies were to be separate from

the ABC Movie of the Week. As a result of an anti-trust suit against ABC by five of the major motion picture production companies, ABC has stopped making major motion pictures, but is still heavily involved in production of made-for-television movies--producing 19 out of 47 made-for-television feature films that played on the ABC Television Network in the 1972-73 season. In addition, ABC played one of its theatrical feature movies on the ABC Sunday Night Movie in the 1972-73 season.

Apart from movies, ABC is only minimally involved in prime-time program production. Its videotape facilities were used for the Julie Andrews Show and One Touch of Grace, but neither show was owned by ABC. Mod Squad, which was cancelled at the end of the season, was an ABC production.

Eight of the ten ABC daytime programs are produced on ABC facilities in Hollywood or New York, and one program, General Hospital, is produced and owned by ABC. Most of the late night entertainment, while not ABC owned, is produced on ABC's facilities, for example, Dick Cavett and Jack Paar. Most children's television is owned by independent companies and produced on independent facilities.

CBS also initiated theatrical motion picture production in 1967 on the same basis as ABC, though with two major differences: (i) CBS does not own 400 motion picture theatres; (ii) it does own

its own Hollywood film production facilities (ABC does not). CBS's Cinema Center Films also produced movies for showing on the CBS Television Network, and while production of major motion pictures has ceased, partly because of the anti-trust suit by the major independent producers, CBS still makes made-for-television movies that are played on its own network. In the 1972-73 season, about half of the made-for-television movies on the CBS Television Network were made by the CBS film company.

CBS is much more involved in prime-time production of programs other than movies than the other two networks. Out of its 23 prime-time programs in the 1972-73 season, ten were made on CBS's own facilities in Hollywood or New York. These were, Gunsmoke, which is also owned by CBS, The Doris Day Show, The Bill Cosby Show, Maude, Hawaii 5-0, The Carol Burnett Show, Sonny and Cher, The Mary Tyler Moore Show, and The Bob Newhart Show.

The entire daytime program schedule, while not completely owned by CBS, is produced on CBS's Hollywood and New York facilities. Children's programming, apart from Captain Kangaroo and In The News, is mostly independently produced.

Of the three networks, NBC, a subsidiary of the RCA conglomerate, has only been minimally involved in ancillary distribution, least involved in equity participation, not involved at all with film production facilities, about equal to CBS, but slightly

greater than ABC, in the use of its own tape facilities.

The only prime-time programs that NBC have had any interest in at all in the past few years are Bonanza, which was cancelled in January, 1973, and The Dean Martin Show, which is owned by and produced on NBC facilities. The Dean Martin Show is the only program owned by NBC in the 1973-74 season. NBC's tape facilities, however, are frequently used by the independent producers that have shows on the NBC Television Network. In the 1972-73 season, Laugh-in, Flip Wilson, Sanford and Son, and Bobby Darrin, were all produced on NBC's Hollywood facilities. Of the prime-time specials, NBC owns NBC Follies and Peter Pan, and partially owns The Bob Hope Specials. Apart from these only six of the specials were produced on NBC facilities in the 1972-73 season.

In daytime programming, NBC owns only one program, Concentration, but its facilities are used for the production of 12 of the 13 daytime programs.

Late night programming is produced exclusively on NBC facilities, and The Tonight Show is owned by NBC.

In children's programming, NBC owns and produces Talking with a Giant, now cancelled, and its facilities are used for Runaround. Apart from these, children's programming is independently owned.

See Appendix II for a complete breakdown, network by network, of program ownership and facilities use.

PROGRAM PRICING AND CONTRACTS

Prime-time television entertainment programming is expensive, and would be even more so, say the Hollywood program makers, if the networks did not have their own production facilities. The fact that two of the networks, ABC and CBS, are in both the film and tape program production business, and the third, NBC, has big tape production facilities, tends to depress the market price of television entertainment programming, according to the independent Hollywood production houses, since the networks provide the most efficient means of distribution.

As a result of this, most independent television entertainment program production tends to be deficit financed by the independent program makers. They hope to make up this deficit, of course, and eventually go into a profit position by having a long-running network television series. If a series runs on television for three years or more, the rewards can be great because the series can be sold in syndication to local stations, both affiliates and independents, when it completes its network run. This explains the great success in syndication of shows like Perry Mason, Lucy, Beverley Hillbillies, etc., and also explains why production companies are prepared to speculate against the prospect of long-term profits.

The process from the first draft of an idea to final selection as a prime-time television series is highly selective. There are normally hundreds of script ides that are usually financed by the independent program producers. These generally cost around $2,500 per idea, and most of them are written off completely. Only one-third of these suggestions actually go to a script commitment. Depending upon the stature of the writers, a script commitment costs between $15,000 and $25,000. The script commitment is normally 80 percent network financed, and 20 percent financed by the independent production company. In return for this "upfront" financing, the network obtains a unilateral option to order a pilot, to order a mini-series, or to order a full series, for the first year, and to order 22 or 24 original episodes per year thereafter until the fifth or seventh years of the contract, at which time it can be renegotiated by both sides. After the scripts have been read and evaluated by the networks, about one-third of them are selected for a pilot. A 90-minute pilot costs the production company from $500,000 to $750,000 and the network usually pays around $400,000 for two-plays. The program company is thus expected to take another deficit in the hope that the idea is selected for eventual inclusion in the network prime-time schedule. For the 1973-74 season, 124 pilots were made, only 17 were chosen as regular weekly series, and 13 were selected as mini-series. Mini-series, the production companies claim, are very often unprofitable.

If a pilot is developed as a series, a licensing agreement is firmed up between the network (the distributor) and the producer. The network obtains an exclusive right to play the series for a period of from five to seven years, subject to prior cancellation by the network. The initial flat price is based upon expected popularity, usually approximately $115,000 to $125,000 for two-plays of a half-hour series, $200,000 to $249,000 for two-plays of a one-hour series, and from $375,000 to $450,000 for two-plays of a 90-minute series. Production companies, however, say that the actual costs of production of series exceed these licensing fees.

According to the major Hollywood production houses, most 90-minute series cost in the region of $500,000 or more, while one-hour shows invariably cost $250,000 or more, although some cost less than this. The weekly budget of shows like Ironside, The FBI, or Hawaii 5-0, run at about $250,000 an-hour, of which a little over $82,000 goes to above-the-line talent, writers, producer, and director, and their staffs. Of the remainder of the budget, perhaps $65,000 per show will go to film crews, technicians, studio sets, etc., $27,000 to editing, cost of film stock, music, and titles, $32,000 to general expenses and additional labor, and about $41,000 in studio overhead. Studio overhead is a general allocation in each show budget that reflects the cost of keeping the studio in business; it includes a portion of salaries for top executives,

sales staff, office rent, and other incidental costs associated with the general upkeep of the studio.

A half-hour program budget for a show like The Little People or The Mary Tyler Moore Show, etc., can cost over $150,000 especially if the stars are in a position to demand high salaries. Of this, perhaps $132,000 would account for the direct costs of the show--both above-the-line (creative talent) and below-the-line (film crews and technicians, etc.), with $25,000 to $26,000 in overhead costs. Usually one-third of a total direct budget goes to above-the-line costs--talent, writers, producer, director, etc.

Any series can become very expensive, particularly if a star is at the head of the cast. Jimmy Stewart was paid a reported $35,000 a show for The Jimmy Stewart Show, which played on the NBC Television Network in the 1971-72 season and was cancelled because of poor ratings. Because of this high star salary, many of the half-hour shows in the series cost as much as $180,000, and the series lost a lot of money. Peter Falk, the star of Columbo, a 90-minute detective mini-series on NBC, is reportedly paid $100,000 a show for a maximum of eight shows a year.

Programs that use videotape rather than film are less expensive. Shows like All in the Family, Maude, and Sanford and Son, among others, use studio electronic cameras as distinct from film cameras. This is a growing trend in prime-time television largely

because a producer can slash between 30 and 40 percent from the cost of recording a situation comedy if tape is used rather than film. The reason for this is that film is costly and takes time to process and edit. Videotape, on the other hand, is cheaper and needs no processing at all. An electronic camera can be hooked up to a videotape recorder which can give instant replay, thus facilitating the editing process. Film and processing costs for the average half-hour show can run from $4,000 to $8,000, but the tape needed to turn out the same show cost only $250, with a significant additional time saving. A videotape show generally uses fewer technicians, resulting in a further saving on labor costs. Most musical variety shows--Bill Cosby, Carol Burnett, Dean Martin, Flip Wilson--are produced on videotape and generally cost around $150,000 for a one-hour program.

Many series that are included in a network's prime-time schedule at the beginning of a new season fail to last a full season. When this happens, the studio loses money heavily. If a series is renewed for a second or third season, the contract between the network and the producer usually stipulates a cost escalation provision of 5 percent, plus any wage and material cost increases. This escalation is essential to profit since costs invariably exceed the license fee in the initial period.

After a program has gone beyond the limit set for the network sale, the production company can renegotiate the contract. If the series is successful and the network wants to renew, then the production company can begin to make substantial profits. This is particularly true with long-running series like Ironside, The FBI and Mission Impossible.

When a long-running series is cancelled by the network, it then goes "off-network" and becomes a "syndicated" series when it is sold to local stations around the country. In this case, a licensing or exhibition agreement is negotiated between the producer and a local station for a particular geographic market. A flat price is determined for the length of the run based upon past or expected popularity, type and size of the market, expected time of viewing, competition between stations, and economic conditions generally.

In addition, the production company is allowed to sell the series to overseas television companies whle it is still running on the national network. Many popular American prime-time television series are running currently in Britain, Australia, Canada, Western Europe, Asia, and Latin America. This often provides a useful form of additional income and helps defray some or all of the deficit financing by the independent production companies. In fact, an additional $40,000 to $50,0000 an episode can be generated by foreign sales of a popular series like Ironside.

It is the promise that a series will become successful in prime-time television, will eventually be sold successfully in syndication, and will also be sold abroad, that attracts program companies to the network in the first place. A series like Ironside, once it has built a popular following on the NBC Television Network, can gross as much as $30 million or more in domestic syndication alone, with a portion of this paid to talent, etc., in the form of profit participations. With additional sales made abroad, it is easy to see that a series like Ironside can generate a handsome profit, even after distribution and other costs. A popular profitable series like this can give a studio the financial backing to generate other program ideas. Generally speaking, a successful series can launch other successful series for the same studio, and this helps explain the success of MCA-Universal, which accounts for roughly 25 percent of the three-network prime-time schedule, making it the General Motors of the television program making business.

Finally, major theatrical movies eventually find their way on to the television networks, and after that they are sold to local stations. In this case, the production company makes a selection of films for the television market, then sells them as a package to a network. The production company negotiates a flat fee with the network for a certain number of telecasts, usually two, within a certain fixed time period, usually two years. A theatrical movie can expect a network licensing fee of between

$600,000 to $800,000 for two-plays. Successful motion pictures, however, sell for much more--the ABC Television Network reportedly paid $3 million for five plays of Love Story, and $2 million for one play of Patton. The NBC Television Network paid a reported $3 million for My Fair Lady. Theatrical movies account for up to 12 hours a week of the three network prime-time schedule--equal to the amount of prime-time programming taken away from the production companies by the prime-time access rule, with a subsequent impact on employment opportunities.

TV PRODUCTION INDUSTRY'S REACTION TO PRIME-TIME ACCESS RULE

With the passing of the prime-time access rule, the vast majority of the independent production companies in Hollywood and New York decided that they could not compete for the local station time periods made available by the rule. Although the rule was designed to help stimulate a diversified program production industry, most producers felt right from the start that it would be of no help to them because of the cost factors involved.

Having taken a considerable amount of time to scale down costs sufficiently to be reasonably competitive for the network prime-time entertainment schedule, the Hollywood film production companies were disinclined to scale down further for the prime-time access periods.

While a production company could reasonably expect a license fee ranging from $90,000 to $125,000 per half-hour for two-plays for network exhibition, the prime-time access half-hours could not be expected to generate more than $70,000--and even this is regarded as a high figure. In addiition, production companies felt that costs could possibly increase, rather than decrease, for prime-time access television because:

1. Instead of supplying one negative to one network, prime-time access demanded the striking of multiple negatives so that a number of different stations in widely separated markets could

be serviced.

2. Instead of having one salesman approaching the networks with program ideas, the production companies would have to employ a sales staff to tour 150 separate network affiliates in the top-50 markets.

Both of these additional problems could be potentially time-consuming and expensive. When they were added to the cost factor, the majority of production companies with film facilities decided to concentrate on the three-network prime-time hours remaining.

One of the first of the major production companies to make a good faith effort to service the prime-time access period was Metromedia Producers Corporation, a subsidiary of the Metromedia company that owns and operates six television stations, five of which are independent. MPC developed two cost-cutting measures in an attempt to program for the prime-time access period with Dusty's Trail, a show being sold for the 1973-74 season:

1. The series was shot on 16mm color film as distinct from 35mm film.

2. Contracts with the above-the-line talent, writers, producer and director took account of the fact that the series was to be placed into first-run syndication. Consequently, lower fees were negotiated.

These two major economies reduced the weekly show budget to $77,350. If it had been a network show, using the same talent, same writers, producer, director, etc., the show would have cost in the region of $100,000 per week or more. The half-hour pilot cost of Dusty's Trail was $190,000, and this cost will be slowly written off over the run of the entire series. By selling the program in domestic syndication and abroad, Metromedia hope to cover the costs of production and distribution. Then, if the series runs in prime-time access for a period of three years or more, the company will sell the program to local stations for stripping, with subsequent financial benefits. In addition, if the series is renewed for a second season, the incremental increases in contract could well put it into a first-run profit position. By the middle of September, 1973, Dusty's Trail had been sold in 103 markets to gross $65,000 per episode from domestic syndication. MPC, however, had failed to sell the series in five of the top-50 markets--Washington, D.C., Indianpolis, Hartford, Memphis, and San Antonio--and these markets, if sold, would have brought in additional revenue amounting to $5,000 per episode, which would have made the series almost viable in first-run syndication. Foreign sales are expected to generate a further $20,000 per episode worldwide, so MPC claim that they can break even in first-run syndication plus foreign sales, and make money if the series is renewed into season two.

Most of Metromedia's competitors disagree, however, saying that they cannot negotiate actors and other contracts down. In addition, they claim that a series like Dusty's Trail will lose out in the long-run to imported filmed series that have already played on a foreign network, usually in Britain or Canada, or to the game shows. Both of these are highly priced competitively., selling for far less than a program like Dusty's Trail. Finally, the independent program companies say that there is only room in the current prime-time access schedule for a couple of domestically produced filmed series like Dusty's Trail, and that over competition in this area would only result in a general loss of production capacity in Hollywood to further benefit either foreign production or the game shows.

Viacom, the former CBS syndication arm that was spun-off because of the rule, is the only other American company to make a film series for the 73-74 prime-time access season. The series, Ozzie's Girls, done in conjunction with Filmways, was first offered to the ABC Television Network, and went into prime-time access after ABC had turned it down.

The overall weight of Hollywood opinion is probably heavily weighted aginst the prime-time access rule--on economic grounds. They do not believe that they can produce "quality" television for less than $100,000 per half-hour, and they are certainly not price competitive with imported filmed dramas and game shows.

IMPACT OF THE RULE ON HOLLYWOOD EMPLOYMENT

One of the major complaints against the rule from the Hollywood production centers is that it has led to a serious decrease in employment opportunities among the Hollywood craft unions. An equal decline in employment opportunities has been caused by the up to 12 hours of theatrical movies that are shown in network prime-time every week.

The main problem is accurately measuring the impact of the rule on employment opportunities. To do this properly some account must be taken of increased employment opportunities among the first-run syndicated programs, mostly game shows and foreign imports, and also the locally produced programs.

As we have seen, local programming amounts to roughly one half-hour per station in the top-50 markets--a total of 150 half-hours, since there are three affiliates in each of the top-50 markets. Some of these locally produced half-hours are more expensive, and account for more labor than other half-hours. Also, some of the local programming half-hours were in existence before the rule was introduced and were simply moved into prime-time access from different parts of the day. Taking these factors into consideration, it is safe to say that the average half-hour of locally produced programming costs $500 a week to produce. It is stressed that this is an average cost--many of the half-hours cost

less, particularly in small markets where a current affairs talk show format is developed, using a couple of guests in a two-camera studio. This means that the total amount of money spent each week on these 150 locally produced half-hours comes to around $75,000--a far smaller budget than the average Hollywood producedhalf-hour, or the average network produced public affairs or documentary programs.

It is a little more difficult to assess the overall costs of the first-run syndicated material being offered in prime-time access since it is such a mixed bag of domestically produced game shows, taped variety shows, overseas dramatic shows, and a large miscellaneous category.

Since foreign shows have no impact on domestic employment, they can be given a zero value. Once these foreign produced programs are excluded, there remain something like 26 domestically produced prime-time access shows that appear in ten or more markets. Some of these domestically produced programs are stripped game shows so it is difficult to come up with an average cost for each half-hour, but the average is probably less than $30,000 per show per week. So if we multiply $30,000 by 26, we come up with a total of $780,000 a week--roughly equal to seven Hollywood produced prime-time half-hours that play on the networks.

So the total weekly monetary value of the prime-time access shows, both locally produced and first-run syndication, amounts to fewer than eight Hollywood produced half-hours.

The prime-time access rule reduced the network schedule by a total of 12 hours per week, ten of which were produced in Hollywood. Consequently, the program production industry lost 20 half-hours per week, each half-hour costing an average of a little more than $100,000, for a total weekly loss of $2 million. Even if we take account of such things as star salaries, it is safe to conclude that the probable total work lost in Hollywood exceeds that gained by local and first-run syndicated programming.

PRIME-TIME ACCESS RESULTS

1. The major Hollywood production houses--MCA-Universal, Warner Brothers, Columbia-Screen Gems, MGM, 20th Century Fox, and Paramount--are strongly opposed to the rule. Although these companies want to weaken network program control, they want to accomplish this by prohibiting the networks from making prime-time programming and from using their production facilities generally. In addition, the major Hollywood production companies would like changes in the contractual agreements that tie a television series to a certain network for a period of up to seven years.

2. The prime-time access rule has resulted in a serious loss of original prime-time television programming to the independent Hollywood production centers. This has had a subsequent impact on work opportunities.

3. The vast majority of independent production companies outside of the big six mentioned above, are also against the prime-time access rule because their primary business goal is to make network-calibre programming, not first-run syndication programming.

4. Program ownership has been diversified somewhat by the prime-time access rule, although not as much as was expected. In fact, there is a danger that the competitive positions of the big production houses have been strengthened by the rule vis-a-vis the smaller companies. The smaller companies do not have the financial power to withstand a reduction in the amount of network prime-time programming. Some production companies are enjoying a new lease of life, but these companies were in existence before the rule, and will probably survive if it were to be abolished. Of the production companies filing comments in the prime-time access rule with the FCC, only ten filed in favor of the rule, while 100 filed against.

SECTION VI: THE SYNDICATION BUSINESS

INTRODUCTION

The economics of the American syndication business--either film or tape--depend on a sale to one of the networks' five owned and operated station groups. Without a sale to a network O & O group, worth between $20,000 and $30,000 per episode, it is very difficult to make money with a syndicated series.

As a result of this economic fact of life, the fate of the first-run syndication business depends, indirectly, on the networks, since there is assumed to be some degree of network relationship to the owned and operated station groups.

The first-run and off-network syndication business is fairly competitive, with about 15 competing firms accounting for about 85 percent of the market for television series syndication. The largest firm accounts for less than 10 percent of the total market, so it can be said that the syndication business, while oligopolistic, is far less so than the broadcasting industry.

THE PRICING MECHANISM

The price of a syndicated series is subject to the marke - place. A series is sold on a station by station basis, usually moving from the larger markets down to the smaller ones. Price depends upon size of the market, time period, expected popularity, and what is being offered by competing

syndicators. Generally speaking, however, syndication companies attempt to get $1,000 for each percentage point of television households covered by a particular station. Thus, a series sold to a network affiliate in New York City might be expected to sell at $10,000 per episode for two plays, since New York accounts for roughly 10 percent of the nation's television households. This explains why any group of network owned and operated stations can be expected to generate betweeen $20,000 and $30,000 for two plays of each episode because, as groups, they account for more than 20 percent of the television households, but less than 30 percent.

The top-50 markets, those markets subject to the prime-time access rule, account for roughly 70 percent of the television households, so if a prime-time access show is sold to network affiliates in all top-50 markets, the gross receipts can be expected to be around $70,000 for each of 26 episodes to be played twice by each station, subject, of course, to other competitive conditions.

Unfortunately, the prime-time access rule has tended to depress these prices somewhat because of the upsurge in production of game shows, which have low budgets, and of foreign series, which come into the U.S. at a competitive advantage, since the vast majority of them have already covered costs of production by being played on networks in

Britain, Canada, Australia, etc.

Finally, if a syndication firm is selling a prime-time access program and two affiliated stations in a given market have already turned it down, the price to the third affiliate generally weakens. If the third affiliate is not interested, then the independent station is offered the show--always assuming that the market has an independent station. Independent stations are seldom asked to pay as high a price as a network affiliate.

BARTER SHOWS

This general pricing mechanism is altered somewhat, in the case of the prime-time access rule, by a number of barter shows that are offered in syndication. A barter show is an arrangement between a producer and a station under which some organization, usually a national advertiser, guarantees to underwrite the cost of production in exchange for the right to a certain portion of the commercial advertising time available during the telecast of the show. In return for accepting the program free of charge, on condition that the national advertiser's messages are carried, the broadcaster has the right to sell the remainder of the commercial positions.

Barter deals vary from program to program, but one of the more popular bartered programs, Hee Haw, a one-hour prime-time access program, has four presold commercial minutes when it is offered to stations. Another four minutes can be sold locally, plus station breaks. The budget of Hee Haw is $125,000 per hour for two-plays. Production costs were higher when it was on the CBS Television Network.

Now it is produced in Nashville, Tennessee, with considerable savings both on labor and general studio costs. In addition, the stars of the show agreed to take pay cuts in order to keep the show going after cancellation from CBS, due to poor demographics and the prime-time access rule. The producers of the show, Yongestreet Productions, sell each minute of advertising at an average of $25,000 a minute to raise a total of $100,000 for the first play, and another $100,000 for the second. Yongestreet, after having a very difficult first-year of first-run syndication because the show was difficult to give away and even more difficult to sell to sponsors, are now making money by generating gross receipts of $200,000 per show for production costs of $125,000. The show budget does not reflect sales and other overheads, but Hee Haw is making a profit. Two other shows that were cancelled by the network for the first year of prime-time access, The Lawrence Welk Show, formerly on ABC, and Wild Kingdom, formerly on NBC,

are both successful in syndication as barter programs.

Other barter shows, however, have not been so successful because advertisers have found that the cost per thousand homes viewing is generally higher than what the networks charge, or what they can get if the advertiser goes into the major markets and buys spot positions. Of the major advertising agencies, Ogilvy and Mather pulled out of barter shows because of "poor economics," and Bristol-Myers stopped production of The Young Doctor Kildare, made on tape in Hollywood by MGM, after only one season because the show did not get adequate clearances and ratings, thus making it an expensive buy for the sponsor.

For television stations, there is very little risk in accepting a barter show. The station recives a free program and all it has to do is sell the available commercial positions locally. Barter shows will probably continue in the prime-time access periods, but they will be few in number, and will tend to have had a previous network track record like Hee Haw, Lawrence Welk and Wild Kingdom.

IMPORTED FILM SERIES

Of the top-41 prime-time access shows programmed in the 1972-73 season, at least 12 were directly produced abroad, and several more partly produced abroad. Most important among

these programs are Wildlife Theatre, Circus, Police Surgeon, Wonderful World of Kreskin, George Kirby, Safari to Adventure Animal World, UFO, Beat the Clock, Doctor in the House, Thrillseekers, Evil Touch, The Protectors, Black Beauty The Adventurer, and Kenny Rogers.

These shows come into the United States because at least part of the production costs have already been written off by a first-run showing in the country of origin. The British made shows UFO, The Protectors, Doctor in the House, etc., have already been seen on one of the British networks, usually the commercial network, before they arrived in this country. In that sense, they have a significant competitive advantage since American off-network programming is not allowed to be sold in prime-time access, while British off-network programming is.

This invasion of foreign material is likely to be further stimulated by the prime-time access rule, and a number of British producers have announced plans to further expand sales to the United States, thanks principally to the prime-time access rule. Because these series have generally earned most or all of the costs of production in Britain or elsewhere, whatever is earned in the United States, after allowing for distribution and sales costs, becomes profit.

OFF-NETWORK SYNDICATION PRICES

Although off-network programming is not allowed to be programmed by network affiliates in the top-50 markets in prime-time access, the rule has helped, rather than hindred, the prices being paid by stations for off-network programming. The reason for this is quite simple: The prime-time access rule has reduced the amount of network prime-time and thus the amount of network-calibre entertainment programming. Because less network type programming is being made, less of it is being offered in syndication. Result: Higher syndication prices are being paid for what is offered.

Off-network programming is being snapped up by the independent commercial stations, generally to be programmed against first-run syndication programming in the prime-time access periods. Because the independent stations are not subject to the prime-time access rule, they can program off-network material any time they wish. In addition, off-network material is being bought, at record prices, by network affiliates for programming in late night periods, generally at 11:30 p.m., and also in the late afternoon--in the time periods immediately preceding the local evening news.

According to local station managers, both network affiliates and independents, syndication prices for off-network series such as Mission Impossible, Mod Squad, The FBI, Ironside,

and Adam-12, have more than doubled since the prime-time access rule was introduced. This has been of some benefit to the production houses, of course, but they say that they would rather be involved in new television production.

Sales of off-network series are either handled by the studio producing the series, or by a syndication firm concentrating on sales of off-network or first-run syndication series. The gross revenues are generally split three ways--up to a third going to the syndication company to cover sales and distribution costs, plus profit to them; a third going to the creative talent in the form of residuals, etc; and a third going to the studio to cover profit and studio overhead. The networks still have profit participations in a few series that are still running on the network, but these are being phased out under the section of the prime-time access rule that drove the networks out of the syndication business.

PRIME-TIME ACCESS RESULTS

1. The prime-time access rule could well result in a long-term shortage of well produced, off-network, syndicated programming, with audience appeal. Because the amount of network prime-time television has been reduced, Hollywood production houses are producing less, thus, forcing up off-network syndication prices. In this respect, what the Hollywood producers have lost in

prime-time is being partly made up by exceptionally high profits generated by off-network syndication. This again strengthens the competitive position of the larger production houses, and weakens the smaller producers. The prime-time access rule, however, was designed to help the smaller companies.

2. The rule has led to a great increase in the amount of foreign made programming. This trend is likely to continue since the prime-time access rule helps foreign networks at the expense of the domestically produced programming.

SECTION VII: PRIME-TIME ACCESS RULE OPTIONS

Although public interest in the prime-time access rule is difficult to identify, there has been considerable press crit[illegible]ism of the programming in the 7:30 to 8 p.m. time period. Audience ratings tend to show a general trend away from the network affiliates to the independent stations during prime-time access, although too much importance should not be attached to this because the trend could change as viewers become familia[illegible] with the prime-time access programming. The rule, however, is still the subject of a great deal of controversy, and very few believe that it should remain in its present form, largely because of the number of waiver requests submitted to the FCC. Consequently, the following nine options are offered for consideration:

1. Complete repeal of rule, Sec. 73.658(k), eliminating both "network" and "off-network" program restrictions. Section 73.658 (j) of the rule dealing with network syndication and financial interests in independent television program production would remain in force because it has been successful.
2. Repeal of the network and off-network program feed restrictions, except for a small amount of time each week. This time would be reserved for material which is not network or off-network (a per[illegible] such as 1 1/2 hours a week, of which 1 hour must be after 7:30). Primary purpose: To stimulate local programming efforts (althou[illegible] the rule would not say so).

3. Replace the rule with a pre-emption rule: This would say that top-50 market affiliates must pre-empt the network in prime-time for a given number of hours a year (or per quarter). This could be accompanied by a requirement that the time be used for locally produced programming.

4. Compromise Proposal: This would let the networks back in for part of the time, such as two or possibly three additional half hours a week(starting at 7:30 instead of 8), without a corresponding cutback on other nights; and also allowing off-network syndicated material to be used for some of the time, such as one hour (or more).

5. Allowing the three networks to use prime-time access for:

(1) children's programming, fact or fiction (but not regularly scheduled animated material) e.g., Wonderful World of Disney, the Children's Television Workshop's program idea for ABC, and Lassie, would be allowed;

(2) minority affairs programs, factual or fictional programs directed toward Blacks, Spanish-speaking persons, American Indians, or Orientals;

(3) documentaries, e.g., National Geographic.

This option could also include a provision for an hour or so of off-network syndicated material.

6. A combination of 4 and 5: Under this option, the networks would be permitted to program an additional half-hour on some nights, but only on condition that some of this time (e.g., one out of two half-hours) be used for children's minority affairs, and documentary programming.

7. Seasonal Rule: The networks would be allowed to program all four prime-time hours from September 1 through April 30. During the period May 1 through August 31, the networks would be limited to programming 2 hours of prime-time per night. The other two hours per night during this "access period" season would not be filled with network programs, off-network programs, or feature films (as currently restricted).

This approach is designed to deal with the "re-run" as well as the prime-time problem. It could not be finally adopted at this time, but the necessary further FCC rulemaking could be completed probably in time for the 1974-75 season.

8. Modified 21-hour Rule: The basic structure of the rule would be retained, with changes: (1) a modified "21-hours-a-week" concept, under which the networks could program 3 1/2 hours on two nights each week (possibly two week-nights only), and cut back to 2 1/2 hours on two other nights in the same week, to be announced well in advance of each season; and (2) allowing off-network material for an hour or possibly more each week.

9. Retain the rule, with the following modifications:

(a) Change to take care of time zone differences.

(b) Permitting a limited amount of off-network material.

(c) Exempting from the rule UHF top-50 market affiliates (this would apply in a few two-V one U situations where the UHF is at a competitive disadvantage, plus the 3-UHF Wilkes-Barre-Scranton market, where cable is a strong competitive factor).

(d) Extending the "off-network" program restriction to independent VHF stations in the top-50 markets.

(e) With the exception of regularly scheduled local news or public affairs series, no station may schedule multiple exposure of the same program series or multiple showing of theatrical or made-for-television features in access period time within the same week. This would allow greater opportunities for more prime-time access programs, and would eliminate stripping of game shows without reducing the overall number of different game shows produced for prime-time access.

APPENDIX I

Partial list of people interviewed in connection with the study:

From the Networks and their Owned Stations:

ABC:

Mr. Jim Duffy, President, ABC TV Network.

Mr. Fred Pierce, Vice President, Corporate Planning.

Mr. Robert Kaufman, Vice President.

Mr. Gene Cowen, Vice President.

Mr. Mike Eisner, Vice President.

Mr. Dick O'Leary, President, ABC Owned Television Stations Division.

Mr. Squire Rushnell, Vice President, ABC Owned Stations Group.

CBS:

Dr. Frank Stanton, former President and Vice Chairman.

Mr. John Schneider, President, CBS Broadcast Group.

Mr. Robert Wood, President, CBS Television Network.

Dr. David Blank, Vice President, Economics and Research, CBS, and members of his staff.

Mr. Richard Jencks, Vice President, CBS.

Mr. Sarge Carleton, CBS, Washington, D.C.

Mr. Oscar Katz, Vice President, CBS.

Mr. James Rosenfield, Vice President, Eastern Sales, CBS Television Network.

Mr. Tom Miller, President, CBS Owned Television Stations Division.

NBC:

Mr. Don Durgin, former NBC Television Network President.

Mr. Tom Ervin, Executive Vice President, NBC.

Mr. Larry White, Vice President, Programming.

Mr. Mike Weinblutt, Vice President, NBC Sales.

Mr. Corrie Dunham, Vice President, NBC Legal Services.

Mr. Herminio Traviasis, Vice President, Broadcast Standards, NBC.

Mr. Sidney Eiges, Vice President, NBC.

Mr. Don Carswell, Vice President, NBC Business Affairs.

Mr. Bill Dannhauser, Director, NBC Business Affairs.

From the television stations:

Mr. Donald McGannon, Chairman and President of Group W, New York City.

Mr. Marvin L. Shapiro, President, Group W, Station Group.

Mr. James Yergin, Vice President, Research, Group W.

Mr. Bill Osterhaus, formerly General Manager and Vice President, KPIX, San Francisco.

Mr. William Jackson, formerly Program Manager, KPIX, San Francisco.

Mr. Lovell Dyett, host of program   on WBZ, Boston, and a professor at MIT.

Mr. William Carpenter, General Manager, WTTG, Washington, D.C., and members of his staff.

Mr. Stanley A. Rudick, Vice President and Program Director, WTTG, Washington, D.C.

Mr. Glenn Potter, General Sales Manager, WTTG, Washington, D.C.

Mr. Mark Evans, Attorney and Vice President, Metromedia Broadcasting.

Mr. Kent Replogle, Vice President, Metromedia Television Stations.

Mr. Larry Israel, President, The Washington Post Company.

Mr. Joel Chaseman, President, Post-Newsweek Stations.

Mr. Dan Gold, formerly General Manager, WTOP, Washington, D.C. and now Senior Vice President for the Post-Newsweek Stations.

Mr. Ray Hubbard, Vice President of Programming for Post-Newsweek Stations.

Mr. Tom Shannon, General Sales Manager, WTOP, Washington, D.C.

Mr. Ken Smith, Vice President and Station Manager, WTIC, Hartford, Connecticut.

Mr. John Thompson, President, Washington Star Broadcasting Co.

Mr. William Branch, General Sales Manager, WMAL, Washington, D.C.

Ms. Thursa D. Crittenden, Manager, Minority Affairs, WMAL, Washington, D.C.

Mr. Robert Glaser, formerly General Manager, WOR, New York, now President, RKO General Television Division.

Mr. Ward Quaal, President, WGN Broadcasting, Chicago.

Mr. Sheldon Cooper, Vice President, Manager of Programming for WGN Group stations, WGN, Chicago.

Mr. Odin Ramsland, General Manager, KDAL, Duluth, Minnesota.

Mr. Harry Francis, Vice President, Meredith Corporation, with television stations in five markets.

Mr. Roger Rice, General Manager and Vice President, KTVU, Oakland/San Francisco, and President of the Independent Television Companies Association.

Mr. George Koehler, General Manager, Triangle Broadcasting, Philadelphia.

Mr. Sherman K. Headley, General Manager, WCCO, Minneapolis.

Mr. Louis Read, President, WDSU, New Orleans.

Mr. Jerry E. Romig, Vice President, WDSU, New Orleans.

Mr. Doug Elleson, General Manager, WVUE, New Orleans.

Mr. John M. Rivers, President, WCSC, Charleston, South Carolina.

Mr. Virgil Evans, Vice President, WCSC, Charleston, South Carolina.

Mr. Charles Whitehurst, General Manager, WFMY, Greensboro, North Carolina.

Mr. Robert Olson, Assistant Manager, WTVT, Tampa, Florida.

Mr. John Small, Program Director, WLWI, Indianapolis.

Ms. Mimi Cazana, WRTV, Indianapolis.

Mr. Dwight Smith, WISH News, Indianapolis.

Mr. Kelly Atherton, Vice President and General Manager, WFIE, Evansville, Indiana.

Mr. John Spiros, News Producer, WJBK, Detroit.

Mr. Jim Alexander, Co-ordinator of Community Affairs, KMGH, Denver, Colorado.

Mr. Milton Grant, Vice President and General Manger of WDCA, Washington, D.C.

Mr. Jack Petrik, Vice President and General Manager, KDNL, St. Louis.

Mr. Herman Pease, Manager of WTV, Buffalo, New York.

Mr. Jim Terrell, General Manager, KTVT, Dallas, Texas.

Mr. David Baltimore, General Manager, WBRE, Wilkes-Barre, Pennsylvania.

From the Program Production Industry:

Mr. Sidney Sheinberg, President, MCA-Universal.

Mr. Taft Schreiber, Vice President, MCA-Universal.

Mr. Albert Dorskind, Vice President, MCA-Universal.

Mr. Elliot Witt, Vice President and Treasurer, MCA-Universal.

Mr. Frank Reel, President, Metromedia Producers Corporation.

Mr. James Aubrey, President, MGM.

Mr. Douglas Netter, Executive Vice President, MGM.

Mr. Paul Pickard, Vice President, MGM Television.

Mr. Emmett Lavery, Executive Vice President, Paramount Television.

Mr. John Mitchell, President, Screen Gems.

Mr. Arthur M. Frankel, Vice President, Screen Gems.

Mr. Edward S. Masket, Vice President, Screen Gems.

Mr. Benson Begun, Associate General Counsel, Screen Gems.

Mr. William Self, President, 20th Century Fox Television.

Mr. Gerald Leider, President, Warner Brothers Television.

Mr. Spencer Harrison, Executive Vice President, Warner Brothers.

Mr. Ed. Bleier, Vice President, Warner Brothers Television.

Mr. Aaron Spelling and Mr. Len Goldberg of Spelling Productions, producers of Mod Squad and The Rookies.

Mr. Jack Webb, Producer of Emergency, Adam-12, and other television programs.

Mr. Jackie Cooper, actor and producer.

Mr. Bud Yorkin, Executive Producer of Sanford and Son, and founding partner of Tandem Productions.

Mr. Lee Rich, Executive Producer of The Waltons.

Mr. Gene Roddenberry, Producer of Star Trek.

Mr. Norman Felton, Producer of Dr. Kildare.

Mr. Duke Vincent, Producer, The Little People.

Mr. Paul Keyes, Executive Producer, Laugh-In.

Mr. Joseph R. Barbera, President, Hanna-Barbera Productions, Inc., division of Taft Broadcasting Company.

Mr. Samuel T. Johnston, Executive Vice President, Hanna-Barbera Productions Inc., a division of Taft Broadcasting Company.

Mr. Alan Courtney, President of Yongestreet Productions, producers of Hee Haw.

Mr. Johnny Mann of Stand Up and Cheer, a prime-time access program

Mr. Burt Rosen, Partner and founder member, Winters-Rosen Productions.

Mr. Robert Montgomery, actor and producer.

Mr. Chuck Barris, of Chuck Barris Productions, producers of game shows, and members of his staff.

Mr. Ralph Baruch, President, Viacom.

From the Program Production Industry Unions:

Mr. John W. Gilbert, attorney for the AFL Film Council in Hollywood.

Mr. Art Arthur, of the Film and Television Co-ordinating Committee.

Mr. H. O'Neil Shanks, Executive Secretary of the Screen Actors Guild, and Secretary of the Film Council.

Mr. John Dales, Executive Secretary of the Screen Actors Guild.

Mr. Chester Migden, Associate Executive Secretary of the Screen Actors Guild.

Mr. John W. Lehners, President, Hollywood Film Council, also of The Motion Picture Film Editors Union.

Ms. Kathy Nolan, actress, member of Screen Actors Guild, Hollywood.

Mr. Robert Doqui, actor, member of Screen Actors Guild, Hollywood.

Mr. Robert Hooks, actor, members of Screen Actors Guild, Hollywood.

From Program Syndication Companies:

Mr. Dan Goodman, Executive Vice President, Brut Productions Inc.

Mr. Fletcher C. Waller, Vice President, General Mills Fun Group, Minneapolis.

Mr. Lou Friedland, Vice President, MCA-Universal.

Mr. Keith Godfrey, Vice President, MCA-Universal.

Mr. Ken Joseph, Executive Vice President, Metromedia Producers Corporation.

Mr. Pierre Weiss, Vice President, Metromedia Producers Corporation.

Mr. Jack Rhodes, President, Jack Rhodes Productions, a production and syndication company, a subsidiary of Taft Broadcasting, and members of his staff.

Mr. Sandy Frank, President, Sandy Frank Film Syndication, Inc. New York City.

Mr. Maury Shields, Executive Vice President, Sandy Frank Film Syndication, Inc.

Mr. Peter Robeck, Chairman, Time-Life Films.

Mr. John R. Vrba, Associate Managing Director, Time-Life Films.

Mr. Don Hine, Manager of Sales, Time-Life Films.

Mr. Wynn Nathan, Director of Sales and Marketing, Time-Life Films.

Mr. Graham White, Account Executive, 20th Century Fox Television.

Mr. Willard Block, former President, Viacom Enterprises.

Mr. Ronald Lightstone, Associate General Counsel, Viacom International Inc.

Mr. John P. Ballinger, President, Vidistrib, Los Angeles, program syndicators.

Mr. Bill Jenkins, Sales Manager, Vidistrib, Los Angeles, program syndicators.

From the Advertising Agencies:

Dr. Seymour Banks, Vice President, Leo Burnett Inc., Chicago.

Mr. Dick Peterson, Campbell-Ewald Advertising Agency, Detroit, Mich g.n.

Mr. Dick Peterson, Campbell-Ewald Advertising agency for Chevrolet.

Mr. Peter Bardach, Vice President, Fo... Cone and Belding Advertis... Agency.

Mr. Archa Knowlton, Director, Media Services, General Foods.

Mr. Al Fields, Vice President, Health Tex Inc.

Mr. Howard Eaton, Vice President, Ogilvy and Mather Advertising Agen... New York City.

From the Motion Picture Association:

Mr. William H. Fineshriber, Vice President, Television, Motion Picture Association of America, New York City.

Mr. Michael Linden, Director of Research, Motion Picture Association of America, New York City.

From the National Association of Broadcasters:

Mr. John Dimling, Vice President of Research, National Association of Broadcasters.

Mr. Ron Irion, Director of Broadcast Management, National Association of Broadcasters.

Mr. Stockton Helffrich, Director, National Association of Broadcasters Code Authority.

Mr. Jerome Lansner, Assistant Director, NAB Code Authority.

From the U.S. Justice Department:

Mr. Bernard Hollander, Chief, Judgment Section, Anti-Trust Division, ... Department, and members of his staff.

Mr. Harry Sklarsky.

Mr. Lewis Gold.

From Broadcasting Industry Research Organizations:

Mr. Herb Jacobs, Broadcasting Consultant, New York City.

Mr. Murray Gross, Vice President, Television Bureau of Advertising, New York City

Mr. Roy Danish, Television Information Office, New York.

Mr. E.A. Schillmoeller, Director of Statistical Research, Media Research Division, A.C. Nielsen Company, Chicago.

From the Trade Press:

Mr. Al Preiss, Editor-Publisher, Telefilm International Magazine, Hollywood, California.

Mr. Dick Boan, TV Guide, New York.

Mr. E.A. Minsker, Editor and Publisher, Knowledge Industry Publications, White Plains, New York.

Mr. Les Brown, formerly with Variety, now with The New York Times.

Mr. Lee Weston, Assistant to the Publisher, Newsweek, New York City.

From the Independent Television Companies Association:

Mr. Herman Land, Executive Director, and others.

Attorneys

Mr. Ashbrook Bryant, former Chief, Office of Network Study, FCC.

Mr. Frank Nolan, former Deputy Chief, Office of Network Study, FCC.

Mr. Henry Geller, former General Counsel, FCC, now with The Rand Corporation.

Mr. Kenneth Cox, former FCC Commissioner, Haley, Bader, and Potts, Washington, D.C.

Mr. Michael Bader, Haley, Bader and Potts, Washington, D.C.

Mr. John Lane, Hedrick and Lane, Washington, D.C.

Mr. Ramsey L. Woodworth, Hedrick and Lane, Washington, D.C.

Ms. Margot Polivy, Renouf, McKenna, and Polivy, Washington, D.C.

Ms. Katrina Renouf, Renouf, McKenna, and Polivy, Washington, D.C.

Mr. Erwin Krasnow, Kirkland, Ellis, and Rowe, Washington, D.C.

Mr. James A. McKenna, Jr., McKenna, Wilkinson, and Kittner, Washington, D.C.

Mr. Arthur Scheiner, Wilner, Scheiner, and Greeley, Washington, D.C.

Mr. Robert Hadle, Wilner, Scheiner, and Greeley, Washington, D.C.

Mr. Robert Cahill, Farrow, Cahill, Kaswell, Segura, and Rader, Washington, D.C.

Mr. Thomas J. Dougherty, Metromedia, Inc., Washington, D.C.

APPENDIX IIA

1972-73 Season (thru June 30, 1973)

Prime Time

		Film/Tape	ABC Production	ABC Facilities
Sunday				
8:00-9:00	FBI	F	No	No
9:00-11:00	ABC Sunday Movie	F	No 1/	No
Monday				
8:00-9:00	Rookies	F	No	No
9:00-11:00 2/	NFL Football	--------Live Sports--------		
9:00-11:00 3/	Monday Night Movie	F	No	No
Tuesday				
8:00-8:30	Temperatures Rising	F	No	No
8:30-10:00	Movie of the Week	F	4/	No
10:00-11:00	Marcus Welby	F	No	No
Wednesday				
8:00-8:30	Paul Lynde	F	No	No
8:30-10:00	Wednesday Movie of Week	F	4/	No
10:00-11:00 2/	Julie Andrews	T	No	Yes
10:00-11:00 3/	Owen Marshall	F	No	No

1/ One theatrical feature was produced by ABC.
2/ Fourth Quarter 1972
3/ First and Second Quarters 1973
4/ ABC produced 19 made-for television feature films for the 1972-73 Season, which were shown in the Movie of the Week and Wednesday Movie of Week programs.

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		Film/Tape	ABC Production	ABC Facilities
Thursday				
8:00-9:00	Mod Squad	F	5/	No
9:00-10:00 6/	The Men	F	No	No
9:00-10:00 7/	Kung Fu	F	No	No
10:00-11:00 6/	Owen Marshall	---------See Above---------		
10:00-11:00 7/	Streets of San Francisco	F	No	No
Friday				
8:00-8:30	Brady Bunch	F	No	No
8:30-9:00	Partridge Family	F	No	No
9:00-9:30	Room 222	F	No	No
9:30-10:00	Odd Couple	F	No	No
10:00-11:00	Love, American Style	F	No	No
Saturday				
8:00-9:00 6/	Alias Smith & Jones	F	No	No
8:00-8:30 7/	Here We Go Again	F	No	No
8:30-9:00 7/	One Touch of Grace	T	No	Yes
9:00-10:00 6/	Streets of San Francisco	---------See Above---------		
9:00-10:00 7/	Julie Andrews	---------See Above---------		
10:00-11:00 6/	Six the Sense	F	No	No
10:00-11:00 7/	The Men	---------See Above---------		

5/ ABC (Spelling) cost-plus production
6/ Fourth Quarter 1972
7/ First and Second Quarters 1973

APPENDIX IIA

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		Film/Tape	ABC Production	ABC Facilities
	Monday - Friday Daytime			
11:30-12:00	Bewitched	F	No	No
12:00-12:30	Password	T	No	Yes
12:30-1:00	Split Second	T	No	Yes
1:00-1:30	All My Children	T	No	Yes
1:30-2:00	Let's Make A Deal	T	No	Yes
2:00-2:30	Newlywed Game	T	No	Yes
2:30-3:00	Dating Game	T	No	Yes
3:00-3:30	General Hospital	T	Yes	Yes
3:30-4:00	One Life to Live	T	No	Yes
4:00-4:30	Love, American Style	F	No	No
	Monday - Friday Late Night			
11:30-1:00 8/	Dick Cavett	T	No	Yes
11:30-1:00 9/	Wide World of Entertainment	F and T 10/	10/	10/
	Weekend Children - Saturday			
8:00-8:30	H. R. Pufnstuf	F	No	No
8:30-9:00	Jackson 5	F	No	No
9:00-9:30	Osmonds	F	No	No
9:30-10:30	Saturday Super Star Movie	F	No	No
10:30-11:00	Brady Kids	F	No	No
11:00-11:30	Bewitched	F	No	No
11:30-12:00	Kid Power	F	No	No
12:00-12:30	Funky Phantom	F	No	No
12:30-1:00	Lidsville	T	No	No
1:00-1:30	Monkees	F	No	No
1:30-2:00	American Bandstand	T	No	Yes

8/ Fourth Quarter 1972
9/ First and Second Quarters 1973
10/ Wide World of Entertainment was both film and tape production. The film programs did not use ABC facilities. The Dick Cavett and Jack Paar programs, on tape, did use ABC facilities (although some Cavett shows have been done at other facilities). Of the other tape programs, some used ABC facilities and some did not. ABC produced 11 Wide World of Entertainment programs for the 1972-73 Season.

APPENDIX IIA

		Film/Tape	ABC Production	ABC Facilities
	Weekend Children - Sunday			
10:00-11:00	Curiousity Shop	T 11/	Yes	Yes
11:00-11:30	Bullwinkle	F	No	No
11:30-12:00	Make A Wish	F	Yes 12/	Yes 12/

APPENDIX IIA

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11/ Curiousity Shop includes both film and tape components, some of which are not produced at ABC facilities.

12/ Make A Wish is produced by ABC News. Some filming on location does not use ABC facilities.

1972/73 PRIME-TIME SERIES

SERIES - PRODUCER	USED CBS FACILITIES	FILM OR TAPE
GUNSMOKE - Columbia Broadcasting System, Inc.	YES	FILM
HERE'S LUCY - Lucille Ball Productions, Inc.	NO	FILM
THE DORIS DAY SHOW - Arwin Productions, Inc.	YES	FILM
THE NEW BILL COSBY SHOW - Jemmin, Inc.	YES*	TAPE
MEDICAL CENTER - Metro Goldwyn Mayer, Inc.	NO	FILM
MAUDE - Tandem, Inc.	YES*	TAPE
HAWAII 5-O - Leonard Freeman Productions, Inc.	YES	FILM
THE CAROL BURNETT SHOW - Punkin Productions, Inc.	YES *	TAPE
THE SONNY & CHER COMEDY HOUR - Yosh Productions, Inc.	YES *	TAPE
DAN AUGUST - Q-M Productions	NO	FILM
CANNON - Q-M Productions	NO	FILM
THE WALTONS - Lorimar, Inc.	NO	FILM

*Some production done at non-CBS facilities

SERIES - PRODUCER	USED CBS FACILITIES	FILM OR TAPE
MISSION IMPOSSIBLE - Paramount Television, A Division of Paramount Pictures Corporation, Inc.	NO	FILM
ALL IN THE FAMILY - Tandem, Inc.	YES*	TAPE
BRIDGET LOVES BERNIE - Screen Gems, A Division of Columbia Pictures, Inc.	NO	FILM
THE MARY TYLER MOORE SHOW - MTM Enterprises, Inc.	YES	FILM
THE BOB NEWHART SHOW - MTM Enterprises, Inc.	YES	FILM
ANNA & THE KING - Twentieth Century Fox Television	NO	FILM
THE NEW DICK VAN DYKE SHOW - Cave Creek Enterprises, Inc.	NO	FILM
M*A*S*H - Twentieth Century Fox Television	NO	FILM
THE SANDY DUNCAN SHOW - Paramount Television, A Division of Paramount Pictures Corporation, Inc.	NO	FILM

*Some production done at non-CBS facilities.

SERIES - PRODUCER	USED CBS FACILITIES	FILM OR TAPE
MANNIX - Paramount Television, A Division of Paramount Pictures Corporation, Inc.	NO	FILM
BARNABY JONES - Q-M Productions	NO	FILM
NEW CBS TUESDAY MOVIES (See Note 1)	NO	FILM (MADE FOR T.V.)
CBS THURSDAY NIGHT MOVIES	NO	FILM (THEATRICAL)
CBS FRIDAY NIGHT MOVIES	NO	FILM (THEATRICAL)

Note 1

Approximately fifty (50) percent of the Made-For-T.V. Movies which were telecast in the NEW CBS TUESDAY MOVIES time period (90 minutes) were produced utilizing CBS facilities. For approximately two-thirds (2/3) of these, CBS was the Producer.

APPENDIX IIB

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APPENDIX II

CBS STUDIO FACILITIES (STUDIO CENTER AND TELEVISION CITY) USED IN 1972 AND 1973 TO DATE BY PRODUCERS OF PROGRAMS NOT LICENSED FOR BROADCAST OVER THE CBS TELEVISION NETWORK

Production Name or Type	Producer	Tape or Film	Where Telecast
WOW - Series	Blye/Beard Productions	Tape	ABC
Show of the Month (3 shows) American Telephone Co.	Wolper Productions	Tape	Syndication
It's Your Bet - Series	M/P Productions	Tape	Syndication
Zenith 25th Anniversary - Special	Teram Productions	Tape	ABC
Bill Russell - Series	Woody Fraser Productions	Tape	Syndication
Treasure Hunt - Pilot	Chuck Barris Productions	Tape	Syndication
Democratic Telethon	Democratic Telethon, Inc.	Tape	ABC or NBC
3 Shows	Pacific Telephone & Telegraph	Tape	Closed Circuit
Pilot	Pasetta Productions	Tape	Syndication
Pilot	Stu Phelps Productions	Tape	Syndication
Peter Hurkos - Pilot	Golden Age	Tape	Syndication
Recording of Mormon Tabernacle Choir	Bonneville International	Tape	Syndication

APPENDIX IIB

Production Name or Type	Producer	Tape or Film	Where Telecast
Perry Como - Special	Roncom Productions	Tape	CBS (Advertiser Supplied)
Price Is Right - Series	Price Productions	Tape	Syndication
Miracles - Series	Production Associates	Tape	Syndication
Insight - Series	Paulist Fathers	Tape	Syndication
Bobby Goldsboro - Series	Show Biz	Tape	Syndication
It Is Written - Series	Adventist Recording/ TV Center	Tape	Syndication
Kate Smith - Special	Kreschner Enterprises	Tape	Syndication
Shari Lewis - Pilot	Andard Productions	Tape	Syndication
Adams Family - Pilot	Viacom	Tape	Syndication
Weekend World	London Weekend T.V.	Tape	British Broadcasting
Onward People	Bonneville International Corporation	Tape	Syndication
Mel Torme - Special	Visit Us Productions	Tape	Syndication
Operation Hang Ten - Pilot	Viacom	Film	ABC
Diana Riggs - Series	Talent Associates, Inc.	Film	NBC
Barbara Eden - Pilot	Danny Arnold and Associates	Film	ABC (Scheduled for December 1973 Production)

APPENDIX IIC

Entertainment Programs Presented By The NBC Television Network During The 1972-1973 Season (September 9, 1972 - May 31, 1973)*

Prime Time

Program	Total Broadcast Hours**	Tape (T) or Film (F)	Produced or Owned by NBC	NBC Facilities Used
Laugh-In	24	T	No	Yes
Monday Movie	66	F	No	No
Bonanza***	16	F	Yes	No
Bold Ones	16	F	No	No
Tuesday Movie	24	F	No	No
Adam 12	12	F	No	No
Weds. Mystery Movie	33	F	No	No
Search	23	F	No	No
Flip Wilson	24	T	No	Yes
Ironside	24	F	No	No
Dean Martin	28	T	Yes	Yes
Sanford & Son	12	T	No	Yes
Little People	12	F	No	No
Circle of Fear (Ghost Story)	22	F	No	No
Banyon	15	F	No	No
Bobby Darin	13	T	No	Yes
Emergency	22	F	No	No
Saturday Movie	70	F	No	No
Walt Disney	20	F	No	No
Sun. Mystery Movie	33-1/2	F	No	No
Night Gallery	7-1/2	F	No	No
America	13	F	No	No
Escape	2	F	No	No

* Excludes each program produced by NBC News and NBC Sports

** Excludes rerun

*** Cancelled in January, 1973

Special Programs Shown in Prime Time*

Program	Total Broadcast Hours	Tape (T) or Film (F)	Produced or Owned By NBC	NBC Facilities Used
Three Cheers for the Redskins	1	F	No	No
Make Mine Red, White and Blue	1	T	No	Yes
Ozzie's Girls	1/2	F	No	No
Liza With A Z	2	F	No	No
Bob Hope Specials	6	T	**	Yes
Bob Hope Xmas Special	1-1/2	F	**	No
Bell System Family Theater Specials	6	T/F	No	No (except 1 hou[illegible]
How To Handle A Woman	1	T	No	Yes
Clerow Wilson	1/2	F	No	No
Snoopy's Ice Follies	1	T/F	No	In Part
Hallmark Hall of Fame Specials	7	T/F	No	No
West Side Story	3	F	No	No
Winnie the Pooh Specials	1	F	No	No
Timex Specials	5-1/2	T	No	No (excep 1 hou
Little Drummer Boy	1/2	F	No	No
Tennessee Ernie Ford Special	1	T	No	No
Bing Crosby Xmas Special	1	T	No	Yes
In Search of the Ancient Astronauts	1	F	No	No
Jack Benny Special	1	T	No	Ye
Return to Peyton Place	1/2	T	No	Ye
Incredible Flight of the Snow Geese	1	F	No	No
NBC Follies	1	T	Yes	Yes
Country Music Hit Parade	1	T	No	No

* Excludes live coverage of special events, such as Miss America Pageant, Rose Bowl Parade, Academy Awards, etc.

** NBC owns partial stock interest in production company.

Special Programs Shown
in Prime Time (con't.)

Program	Total Broadcast Hours	Tape (T) or Film (F)	Produced or Owned By NBC	NBC Facilities Used
Peter Pan*	2	T	Yes	Yes
Arnold Palmer Keep U.S. Beautiful	1	T	No	Yes
Elvis Presley Special	1-1/2	T	No	No
Wizard of Oz	2	F	No	No
Upon This Rock	1	F	No	No
Going Up of David Lov	1-1/2	F	No	No
Saga of Sonora	1	T	No	No
Weird Harold Special	1	F	No	No
The American Experience	1	F	No	No

Weekday Daytime (10 AM - 6 PM)**

Program	Tape (T) or Film (F)	Produced or Owned By NBC	NBC Facilities Used
Dinah's Place	T	No	No
Concentration***	T	Yes	Yes
Baffle***	T	No	Yes
Sale of the Century***	T	No	Yes
Hollywood Squares	T	No	Yes
Jeopardy	T	No	Yes
Who, What or Where Game	T	No	Yes
Three on a Match	T	No	Yes
Days of our Lives	T	No	Yes
The Doctors	T	No	Yes
Another World	T	No	Yes
Return to Peyton Place	T	No	Yes
Somerset	T	No	Yes

* Originally produced and broadcast in December, 1960.

** Total broadcast hours will not be indicated. Unless preempted, each program runs 1/2 hour, 5 days a week.

*** Concentration cancelled and replaced with Baffle in March 1973. Sale of the Century cancelled July 1973.

Weekend Daytime (8 AM - 6 PM)*

Program	Total Broadcast Hours	Tape (T) or Film (F)	Produced or Owned by NBC	NBC Facilities Used
The Houndcats		F	No	No
Woman Holiday		F	No	No
The Jetsons		F	No	No
Pink Panther		F	No	No
Underdog		F	No	No
The Barkleys		F	No	No
Sealab 2020		F	No	No
Runaround		T	No	Yes
Around the World In 80 Days		F	No	No
Talking With A Giant		T	Yes	Yes

Late Night

Program	Total Broadcast Hours	Tape (T) or Film (F)	Produced or Owned by NBC	NBC Facilities Used
The Tonight Show		T	Yes	Yes
Midnight Special		T	No	Yes

* Total broadcast hours will not be indicated. Unless preempted, each program runs 1/2 hour, 1 day a week.

Analysis of access-period entertainment programming other than movies (syndicated plus network in 1970, syndicated including off-network in 1971, made for syndication only in 1972) by type, place or production and percentage of syndicated which is "network-derived" (1971-72 and 1972-73)

Type	1970 No. of ½ hrs.	1970 % of Total ent. time	1971 No. of ½ hrs.	1971 % of Total ent. time	1972 No. of ½ hrs.	1972 % of Total ent. time
Game	170	11.1	294	22.8	672	48.6
Drama	712	46.3	357	27.7	228	16.5
Variety	265	17.2	225	17.5	255	18.4
Nature/ Travel	36	2.3	81	6.3	98	7.1
Comedy	334	21.7	242	18.8	24	1.7
Cartoon	--	--	2	0.2	59	4.3
Misc.	20	1.3	86	6.7	47	3.4
Total	1,537	99.9	1,287	100.0	1,383	100.0
Place of production 1/						
U.S.	1,497	97.4	1,089	84.6	987	71.4
U.S. and foreign	38	2.5	135	10.5	115	8.3
Wholly foreign	2	0.1	63	4.9	281	20.3
Amount "network derived" 2/			924	71.8	841	60.9

1/ The increase in foreign production of dramatic material is particular striking, being one-half hour (0.1%) in 1970, 17 half-hours wholly and 56 partly foreign in 1971 (20.5% total), and 169 half-hours wholly and 6 par foreign in 1972, 77% total.

2/ This does not include material which is "off-foreign network". The great bulk of the material in both years was continuations or revivals of U.S. network series under the same name and with no substantial change. A small amount (40 half-hours in 1971, 144 half-hours in 1972) was "based on", or an "offshoo of an earlier network series or individual network show.

APPENDIX III

Analysis of Access-Period time use by affiliated stations in top 50 markets, October-November 1970, 1971 and 1972 1/

General type of material	1970 No. of 1/2 hrs.	1970 % of Total (2,100 1/2 hrs.)	1971 No. of 1/2 hrs.	1971 % of Total (2,100 1/2 hrs.)	1972 No. of 1/2 hrs.	1972 % of Total (2,100 1/2 hrs.)
Network news	130	6.2	122	5.8	95	4.5
Local news	327	15.6	377	18.0	393	18.7
Total news	457	21.8	499	23.8	488	23.2
Other local 2/	44	2.1	167	7.9	135	6.4
Movies	62	3.0	147	7.0	94	4.5
Entertainment (other than movies)						
Network (1970)	1,137	54.1	--	--	--	--
Off-network (1970 and 1971)	268	12.8	475	22.6	--	--
Made for syndication 3/	132	6.3	812	38.7	1,383	65.9
Total ent. (non-movie)	1,537	73.2	1,287	61.3	1,383	65.9
Grand Total	2,100	100.0	2,100	100.0	2,100	100.0

1/ The Joint Appendix does not give all of the basic data underlying these figures, and there may be some question as to their accuracy. Other parties may dispute them in reply comments; if this is not done, the staff will check them at least to some extent. One definite possibility is that the figures do not take into account preemptions by stations of regularly scheduled material on one or more occasions during a rating period.

2/ The Joint Appendix lists separately "black interest" programs locally originated (as can be gathered from their titles). These have been included in the "local" figures above. There were none in 1970, 3 half-hours (0.1% of total access time) in 1971, and 5 half-hours (0.2%) in 1972. While we have not checked this, it appears at least possible that it is an under-statement.

3/ As discussed below, a great deal of the "made for syndication" material is continuations or revivals of former, or current daytime, network shows.

Source: Compiled by FCC staff from Joint Appendix of MCA, Warner Bros., Columbia Screen Gems, etc., in FCC Docket No. 19622, consideration of the operation of, and possible changes in the prime-time access rule, Section 73.658(k) of the Commission's Rules.

APPENDIX IV

TRADE TERMS IN TELEVISION EXHIBITION

Network Sale: A licensing agreement in which the producer-distributor produces a new feature length motion picture, or a new series of separate programs, for a television broadcasting network, such as National Broadcasting Company, Columbia Broadcasting System, or American Broadcasting Company. The network then has the exclusive right to initial telecasts of the program over its network for a fixed time period, usually one year.

Syndication: A method of licensing the television exhibition rights to feature length motion pictures and/or a television program or series on the basis of individual sales, individually negotiated, between the producer-distributor (copyright owner) and a separate independent or affiliated local television station in a particular geographic marketing area.

Off-Network Sales: Licensing or exhibition agreements relating to features and/or television programs or series which have had an initial run or exhibition on a television network, and which thereafter are sold in "syndication."

New Syndication: The licensing by the syndication method of new programs or series that have had no prior network exhibition or exposure.

Pilot Agreements: Agreements under which the producer-distributor produces one of a proposed series of films or programs for telecasting by a network during the contract term. After acceptance of the "pilot" film by the network, the network can ask for the production of additional films in the same series of a similar type, with fixed fees for each separate film in the series and for each repeat showing. Many such agreements provide for annual increments in licensing fees if the series is renewed by the network under the annual options granted for the term of the agreement.

Stripping: Television exhibition pattern usually employed in syndication of an off-network series whereby a separate episode of the same series runs each night of the week in the same general time slot, as contrasted with the customary once-a-week exhibition run the same series had on network television.

Pay or Play Agreement: Television exhibition licensing agreement in which the exhibitor is obligated to pay the license fee specified in the agreement whether the exhibitor chooses to exhibit the licensed films or not.

Selling on the Come: The practice of selling a television series by way of syndication sales while the series is still in its "on-network exhibition, the syndication agreement to be effective when the series goes "off-network."

Barter Deal: A television production-exhibition arrangement under which some organization, usually a national advertiser, guarantees to underwrite the cost of a production in exchange for the right to a certain portion of the commercial advertising time available during the telecast, with the telecasting station retaining the righ to sell the remainder of the advertising.